Neo-Colonialism and Debt Crisis: A Challenge to Development in Africa (A Case Study of Nigeria)

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Abstract

This work traced the history of the colonial plunder of Africa by the colonialists to elucidate the genesis of Africa's indebtedness which has plunged these countries into a predicament typified by a vicious circle of poverty, chronic unemployment, skyrocketing inflation, flagrant inequalities, mono-cultural economies, urban decomposition, rural stagnation, anti-democratic regimes and near-perpetual indebtedness to the West. Using the historical/descriptive method and Nigeria as a case study, it was discovered that neocolonial manipulation of international financial institutions like the IMF and WTO has been the cause of the continued and increasing dependence of Nigeria on foreign loans, a situation that is compounded by the "comprehensive approach" and "the market approach" as well as the IMF panacea. It was recommended, among other things, that African countries can no longer allow the drivers of the world capitalist economy to dictate to them how to break the loan habit but should rely on domestic roots for growth, diversifying exports and deepening social safety nets. Moreover, they must take the debt campaigns beyond merely highlighting the evil effects of globalization on some group of people or countries, to addressing the underlying structure and financial systems that have created the modern form of globalization, if effective and real change for the world's majority is to be achieved.

Keywords: Neo-Colonialism, Debt, Crisis, Challenge and Development.

Introduction

A critical assessment of the development challenges of African countries must necessarily begin with the history of European colonial plunder of the continent. For nearly six centuries, Western European countries being afore-enlightened and armed with guns and ships, fortified in aggressive spirit and motivated by the lure of enriching plunder, sallied forth from their homelands to explore, assault, loot, occupy, rule and exploit African countries (Chinweizu, 1975:1).

"By successful brigandage, they uprooted the southern economies, stole their silver, gold and gems and carried all off to Europe" (Chinweizu, 1975:1). Consequently, the African countries have been impoverished and left in a state of subservience. While Western European economies are growing stronger, African economies are becoming weaker, extraverted, and more and more dependent on the former. This is because, during colonialism, the Europeans conquered and restructured African economies to fit into western capitalism as appendages.

Conquest and colonization assured that African countries economies adjusted to penetration by the forces of European imperialism. Such adjustment was cast in a mold fashioned for the primary benefit of Europe. Having fully integrated these societies into

the colonial exploitational machinery, and mainstream of political economy or world capitalism, the Europeans embarked on a process of cultural transformation of the people so as to effectively maintain their allegiance, thereby keeping them perpetually subservient to their monarchs and countries. The explanation of British benign operations in African countries can be understood in this light. It is evident that Britain was more concerned about the future than the time when it physically colonized the continent.

In this way, the colonialists effectively controlled the leaders of African countries by making them to develop a high penchant for European values. This made them to dream, nay, covert the world of the European, a world of sky scrapers, elevators and push-button furniture and kitchen-equipment. Thus, being assimilated into the European class, it was virtually impossible for these elites to remain in close sympathy with the great masses of their fellow countrymen. Instead, they were more loyal to the colonialists than to their citizens. The colonialists therefore seized the opportunity to negotiate with these African stooges the terms for granting their 'territories beyond the seas' self-determination.

The result was that the independence that these countries got was nominal, symbolized by a change of flag without the destruction of the colonial yoke. Even though the colonial apparatuses are no more physically present in African countries, the colonialists are still around. They manipulate the economies of these countries by remote control. This is what neo-colonialism is all about.

The colonial legacy therefore has a disruptive or destructive influence on the development of the economies of African countries. Almost five decades after independence, economies of African countries today, are still not free from the corrosive effects of European values. Indeed, the manner these colonial political models were grafted into African countries indigenous structures, continue and will continue to have consequences for contemporary African countries politics.

Unfortunately, instead of resolving this conflict, post-independence political elites of African countries were rather "…pre-occupied with the struggle for power and appropriating to themselves the privileges of offices vacated by the colonialists that little time was left for constructing political agenda (and economic independence) appropriate for a developing society." (Nurudeen, Ajayi and Bello, 2009:2).

Neo-colonialism is an expression of a covert bond of colonialism through "subtle ties of economic, political, military and cultural dependency" (Couloumbis & Wolfe, 1986:366). It is a situation of domination, dependency, impoverishment, backwardness and satellization which African countries have found themselves after colonialism.

Neo-colonialism is therefore the continued domination of African countries by foreign powers. Though the African countries have been able to decolonize their countries politically, they have not been able to decolonize their minds and their economies. Being integrated into the Western capitalist system, their economies remain intricately tied to that of the West. During colonialism, foreign trade was used as a vehicle to create a consumerist orientation in African countries. African countries were forced to specialize in the production of primary products. Under this process, production was geared primarily towards the market. The monetization of African countries' economies was

therefore necessary. This facilitated the penetration of African countries by foreign investment. These foreign investors now act as the primary source of exploitation.

After independence, the metropolitan bourgeoisie (metrobo) pooled their resources together and established octopus companies, and conglomerates and accumulated capital autonomously. This has acted as giant pumps sucking surpluses from the African countries to their home countries. Consequently, through foreign investment, African countries have suffered de-capitalization, disarticulation, technological under-development, chronic unemployment, skyrocketing inflation, and mass pauperization tendencies.

In order to understand Africa's predicament, however, we have to appreciate the role of the leaders of the African countries as agents of imperialism. The importance of this group cannot be underestimated. The presence of this group of sell-out in the African countries in general is part of the definition of under-development (Rodney, 1972). Just like their counterparts in colonial times, who supported colonialism in exchange for some of the privileges enjoyed by the whites, leaders of African countries today perpetuate neo-colonialism and in turn are kept in office by the support of the West. Thus, in politically independent Africa, metropolitan capitalists have ensured political decisions by remote control. This they do by setting up their puppets in many parts of Africa, "who shamelessly agree to compromise with the vicious" imperial powers from the West (Rodney, 1972:26).

Foreign investors and their Multinational Corporations (MNCs) now recruit leaders of African countries to stand in or to act as fronts and help them to transfer profits from African countries to the West in return for some useless rewards. However, Chinweizu (1975) has shown that the rewards are a little better than what their counterparts in slaving times received. "Instead of rum and schnapps, head trinkets, muskets and dane guns, they now receive radios, televisions, gold beds, trains, tanks, Cadillacs, Rolls Royce, Mercedes Benz, Swiss Chalets and numbered bank accounts" (Chiweinzu, 1975:4).

These things blind leaders of African countries to the ever-widening gap between their countries and that of the West due to this crippling relationship without doing anything about it. This situation has plunged African countries into a predicament typified by a vicious circle of poverty, chronic unemployment, skyrocketing inflation, flagrant inequalities, mono-cultural economies, urban decomposition, rural stagnation, anti-democratic regimes and near-perpetual indebtedness to the West.

The Problem

The major developmental problem of African countries in the international capitalist system is the problem of indebtedness to the richer nations. The debt malady has been a major obstacle to sustainable human development and has had a devastating impact on the economies of these countries. It has resulted in a lack of basic access to food, water, health, education and other important social services in debtor countries.

This debt amounting to trillions of dollars attracts steep interests to these African countries. Quite unfortunately, these countries are so incapacitated that they can neither afford to pay the principal nor the accrued interests. Their incapacitation arises from the fact that the prices of the primary products which they have been consigned to produce by the international capitalist economy puts them at a disadvantaged position vis-à-vis the creditor nations, the prices of whose manufactured goods are much higher.

One of the causes of this problem is that rich countries have protected their agricultural markets, in particular, and their economies in general, while forcing poor countries to open up theirs. This has led to dumping and flooding the markets of African countries with foreign goods and this has driven local entrepreneurs out of businesses, thereby depriving them of their means of livelihood.

Regrettably, the debt crisis has become a double edged sword. On the one hand, it has affected economic development of the African countries. On the other hand, the inability of African countries to repay the loans and the accrued interests has affected the international banking system. This is to the disadvantage of the creditor nations who own and control these banks.

To solve this problem, the creditor nations compel African countries to pay back the debts through draconian policies they make using the instrumentality of the International Monetary Fund (IMF). Unfortunately, instead of solving the problem, this approach compounds the economic woes of the African countries and consequently, the debt crisis.

Citing George (2001), Shah (2001:5) claims that the debt crisis “is not a financial or an economic problem at all, but in every way a political one.” He sees it as the best instrument of power and control ever invented by the North for the subjugation of the South as well as the East in recent times which is far superior and more effective than colonialism. To him, the debt fetter does not require an army, an administrative infrastructure and does not attract bad publicity but silently makes people pay for their own oppression.

These questions therefore arise: what are the causes of the ever mounting debts in Africa in general and Nigeria in particular? What is the impact of the accumulated debt on the Nigerian economy? What are the loans collected by Nigerian leaders since independence used for? What are the effects of the loans on the economic development of Nigeria? What is the panacea for Nigerian indebtedness in the capitalist world system?

This study therefore sought to examine the reason Nigerian external debt is on the increase instead of decreasing, the implication of the mounting foreign debt on the economy of Nigeria and to proffer solutions to the Nigerian debt malady.

It could possibly be conjectured that neocolonial manipulation of International Financial Institutions like the IMF and WTO is the likely cause of the continued and increasing dependence of Nigeria on foreign loans. The accumulated foreign debt in turn impacts negatively on the economic development of Nigeria, and the “comprehensive approach” and “the market approach” as well as the IMF panacea tend to compound Nigeria's debt crisis.

General Overview of the Debt Profile

Anup Shah (2005:1) reported that in 1970, the world's 60 poorest countries which the World Bank classified as low-income were indebted to the tune of $25 billion. By 2002, their debt profile rose to $523 billion. According Shah (2005:1), African countries'

indebtedness was below $11 billion in 1970, but by 2002, it skyrocketed to $295 billion. While the poorest countries currently owe the IMF and World Bank about $70 billion, the African countries owe these multinational institutions approximately $153 billion and although these countries have repaid about $550 billion on $540 billion loans in both principal and interest over the last three decades, yet $523 billion is still outstanding, meaning that the interests accruable to these loans have quadrupled. The total external debt stock of Nigeria from 1970 to 2016 as shown on the table below will buttress this fact.

Table 4.1: Table showing Nigeria's Total External Debt Stocks (DOD, current US$) Between 1970-2016

Year	Value ($)
1970	836,678,000
1971	960,363,000
1972	1,081,762,000
1973	1,778,978,000
1974	1,880,719,000
1975	1,687,172,000
1976	1,337,792,000
1977	3,146,444,000
1978	5,091,172,000
1979	6,244,581,000
1980	8,938,206,000
1981	11,445,510,000
1982	11,992,470,000
1983	17,576,990,000
1984	17,783,310,000
1985	18,655,380,000
1986	22,215,780,000
1987	29,024,890,000
1988	29,624,120,000
1989	30,122,000,000
1990	33,458,490,000
1991	33,526,930,000
1992	29,018,670,000
1993	30,699,250,000
1994	33,092,290,000
1995	34,094,440,000
1996	31,414,750,000
1997	28,467,540,000
1998	30,313,710,000
1999	29,095,540,000
2000	32,374,090,000

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2001	31,418,240,000
2002	31,780,100,000
2003	36,711,580,000
2004	39,898,100,000
2005	25,754,640,000
2006	9,617,378,000
2007	12,144,520,000
2008	13,128,900,000
2009	15,942,070,000
2010	15,484,220,000
2011	17,663,310,000
2012	18,127,300,000
2013	21,143,710,000
2014	24,755,960,000
2015	28,942,970,000
2016	31,151,470,000

Source World Bank, International Debt Statistics as reproduced by Index Mundi (2018)

Shah (2005:2) argued that the size of the debt trap can be controlled. He however advised that if allowed to continue to grow, the magic of compound interest dictates it is unsustainable. One trillion dollars compounded at 10 percent per year become $117 trillion in fifty years and $13.78 quadrillion in one hundred years, about $3.5 million for every man, woman and child in the African countries. Their debt is 50 percent greater than this and has been compounding at twice that rate – over 20 percent per year between 1973 and 1993, from $100 billion to $1.5 trillion. Of this $1.5 trillion, only $400 billion was actually borrowed money. The rest was runaway compound interest. If African countries debt continues to compound at 20 percent per year, the $117 trillion debt will be reached in eighteen years and the $13.78 quadrillion debt in thirty-four years (Shah, 2005:5).

This underscores the deception that has been responsible for the failure of the blaring promises by creditor nations to cancel the debts owed by the African countries. In most cases, the promises of cancellation are never kept or are either very slow to be fulfilled or the amount of money or cancellation promised is actually far less due to the quadruplicating effect of interests on the loans and which the creditor nations have already budgeted in advance for the development of their economies.

For instance, in May 2001, the international community agreed to seek a moratorium on debt service payments for the world's most highly indebted countries in "exceptional"

situations such as those plagued by civil wars, floods and natural disasters -- and to facilitate access to debt relief for post-conflict countries (Shah, 2001:3). But thirteen years after, this agreement seemed not forth coming.

Also, the promises by Canadian Prime Minister, Jean Chrétien since March 1999; United States' President, Bill Clinton, September 1999; Britain in December 1999 and Germany to completely write off the debt owed them by the Heavily Indebted Poor Countries (HIPC) have not been fulfilled as yet. These failed promises by leaders of creditor nations, as well as the non-fulfillment of the agreement by the international community during the international conference in May 2001 "to seek a moratorium on debt service payments for the world's most highly-indebted countries in 'exceptional' situations – such as those plagued by civil wars, floods and natural disasters – and to facilitate access to debt relief for post-conflict countries" (Shah, 2005:3) are clear pointers that debtor countries only hope against hope for a reprieve from indebtedness by rich creditor countries.

When poor countries face natural disasters such as hurricanes, floods and fires, the cost of rebuilding coupled with an already over bloated debt burden compounds their problem. Often, these poor countries lose many lives and have to grapple with reconstruction while still paying back billions in the form of debt repayment. Without aid or a reduction in their debt burden, such countries become incapacitated to provide basic necessities for their citizenry.

While some scholars, ostensibly western scholars, have argued that cancellation of debt is morally hazardous and may encourage the former debtor nations to go for more loans, others have conversely argued that odious lending is more immoral. These later scholars have pointed to the sheer wickedness of western banks to lend to illegitimate regimes against the interest of the people they ruled and turn around to demand repayment of such loans with huge interest from the toil, sweat and even blood of the same oppressed people. This, according to them is morally reprehensible as this will encourage other international financial institutions to lend to any government, without considering its illegitimate status.

The result of all these is that the debt of African countries continues to quadruple geometrically. The net loss to these countries' economies often exceeds the total outstanding debt. This means that people in these – often desperately poor – countries end up paying three times for loans ostensibly taken out in their name.

Quoting Soliven (1991) and Kuye (2000), Ekpe (2007:173) shows that as at 1982, the debt burden of developing countries had reached $629 billion. But before the end of that decade, precisely in 1988, the figure had soared to $1,300 billion and then to $24,561 trillion a decade later. This type of situation naturally affects the income gap between the poor and rich countries. "The State of the World's Children 2000" report given by UNICEF points out that in 1960, the income gap between the richest one-fifth of the world's population and the poorest was 30-1. In 1997 it was 74-1 (Shah, 2000:1).

Okereke and Ekpe (2010:179) believe that African countries debt crisis is precipitated by "… rapacious and corrupt leadership, protracted civil wars in many African countries, poor governance, excessive population growth, absence of checks and balances on

government borrowing and spending as well as inappropriate economic policies". However, these factors in themselves do not necessarily cause indebtedness until loan is given or collected from somewhere.

Shah (2007:1) on his part attributes the lingering debt crisis in the African countries to five causative factors, viz: "a continuing legacy of colonialism, odious debt, mismanaged lending; the world's poor subsidizing the rich and backbone to globalization."

As a legacy of colonialism, Shah (2007:1) shows that developing countries' debt is partly the result of the unjust transfer to them of the debts of the colonizing States. Before they had even had time to organize their economies and get them up and running, the new debtors were already saddled with a heavy burden of debt. They therefore inherited deformed economies from their colonial masters – economies modified to fit into Western Capitalist system as appendages and tailored to serve Western interest, without the capability to develop independently and therefore have to rely on foreign aid for development (Okereke and Ekpe, 2010:179–180).

African countries debt therefore accumulated due to the "… massive siphoning-off by international finance of the resources of the most deprived peoples" (Shah, 2007:1). The perpetuation of this process is a deliberate plan with an additional strain of an interest rate unilaterally set at 14 per cent, this debt replicates itself on an ever greater scale. Shah (2007:1) believes that this cycle can only be broken by sincere debt cancelation.

Secondly, Shah (2007:2) attributes African countries debt crisis to what he calls "odious debt." According to him, odious debt is unfair debt resulting from illegitimate loans granted to "… an illegitimate or dictatorial government that uses the money to oppress the people or for personal purposes." A lot of the borrowed money went to western-backed dictators, resulting in little benefit for the people in whose name the money is borrowed. Okereke and Ekpe (2010:180), see such lending as thoughtless and irresponsible. They believe that such lending increased dramatically during the post-World War II era, especially after the 1973 Yom Kippur War in the Middle East.

Some of the money borrowed by corrupt military juntas were diverted into private pockets or used to buy luxury goods to satisfy the ego of these illegitimate leaders. It is generally believed that in cases where borrowed money was used in ways contrary to the people's interest, with the knowledge of the creditors, the creditors legally may be said to have committed a hostile act against the people. Therefore, they cannot legitimately expect repayment of such debts.

Generally, most post-colonial governments, especially in the African and Latin America were military dictatorships and therefore, illegitimate. Unfortunately, western creditor nations still demand for the repayment of the odious debt granted to these countries. Quoting Steve Mandel, of the New Economics Foundation, Shah (2007:3) argues that since the creditor nations had full knowledge that the governments they gave these loans to were "unaccountable and corrupt leaders", and being that some of those loans have been overpaid already, discussion about the repayment of these odious debts should be laid to rest.

One of the most potent arguments about the non-payment of odious debt is that

presented by Jubilee USA. This group as quoted by Shah (2007:2) argues that the United States used the principle to deny Spain's and Britain's claims for debt repayment against Cuba in 1898 and Costa Rica in 1923, respectively. In spite of this, however, rich countries, including the United States itself, have continued to pressure these poor countries to sacrifice health and education spending and prioritize on debt repayment.

The obvious unfair treatment in debt repayment is seen in the case of post-Apartheid South, African countries and southern American States. After the Second World War, the United States allowed Britain to repay debt at a very low rate so that it could rebuild. In 1953, the victorious allies met in London to cancel most of Germany's debt, so that it could rebuild. But as the nations of South Africa wanted to rebuild a post-apartheid society, the creditors of today, are not willing to offer them the space Britain received from the US and the Allies gave to Germany. Instead they are demanding that the states of the African countries pay three to five times the level that Britain or Germany paid after World War II.

The third cause of debt crisis as enunciated by Shah (2007:5) is mismanaged lending. Summarizing Jubilee 2000 report, he affirmed that the US over spending in the 1960s resulted in its printing of more dollars. This affected oil-producing countries that pegged the value of their currencies to the dollar as the value of the dollar decreased. This implies in effect that the value of those countries' currencies also plummeted.

In response, the oil-producing countries hiked their prices in 1973 thereby earning a lot of money which they unfortunately put in to western banks. When interest rates began to nose-dive, the banks embarked on more lending in order to forestall a crisis.

Debt crises also occurred just by the value of the developing country's money going down, which can be due to a variety of other inter-related factors. Combined with falling export prices for many poor countries, debts become even harder to pay off. Another potent cause of debt crisis is refinancing of loans. Refinancing loans implies taking on new loans to service the old ones. This puts the debtor nation in a vicious circle of indebtedness which it cannot break out from generation to generation.

Another cause of the debt crisis, according to Shah (2007:6) is that “the world's poor are subsidizing the rich”. Inasmuch as money embezzled by corrupt African countries leaders who were placed in power by the rich nations are deposited in foreign banks in the rich countries and these monies are re-loaned to the same African countries where it was stolen from on very high interests, the poor nations are subsidizing the rich nations. Sometimes, the loan is tied to exports from the lending nation. The net loss to the African countries therefore triples resulting in spiraling decline in wages. Drawing inspiration from George (1992), Shah (2007:6) concludes that, “the net gain to the over-capitalized countries (loss to the under-capitalized ones) of $418 billion between 1982 and 1990 is more than double what was spent to rebuild Europe after World War II.”

The fifth cause of debt crisis identified by Shah (2007:7) is that the indebtedness of African countries is compounded by the effect of globalization. While globalization is making the rich nations richer, it is making the poor nations poorer. This, according to Shah (2007:7) is because the economic decisions and influence in various international agreements, treaties and institutions that help form the backbone of today's

globalization are made by the wealthy and powerful nations in their own interests. These policies have created immense wealth and a higher standard of living for the developed nations while paradoxically creating steep poverty and low standard of living in poor countries.

Okereke and Ekpe (2010:181–183) add the unilateral change from fixed rate of interest on loans to variable rates by Western creditor nations; the increase and sudden drop in oil prices of 1973 and 1979; the inability of debtor nations to absorb the undulating prices of their primary products in international markets and the pressure from the IMF and World Bank for African countries to borrow as a condition for implementing IMF structural adjustment programs, as other external factors that precipitated the debt crisis.

Among the internal causes of debt crisis enunciated by Okereke and Ekpe (2010:183–185) are “corrupt and reckless management of resources” by leaders of debtor nations, “slow or stagnant growth rate in the implementation of the various projects” for which these leaders committed the money received as loans, the general incompetence of these leaders to choose economically productive projects like agriculture, “inadequate maintenance of capital stock and inefficient organizations of marketing, transport, finance and other support services”, natural disasters like prolonged and devastating drought in some debtor countries and inappropriate economic policies.

Framework for the Study

For the purpose of this work, the theory of imperialism is used as a framework. Imperialism is a policy which aims at the political, economic or cultural domination of one group by another. According to Snyder (1960), it is "the policy of a state aiming at establishing control beyond its borders over people unwilling to accept such control." Such domination, according to Helmreich (1964) is not always characterized by the use of force or acquisition of territories, but also covers various subtle or hidden political, economic, technical and cultural activities aimed at the domination of the other group.

Historically, there are many forms of imperialism. These include political imperialism, economic imperialism, assimilative imperialism, spiritual imperialism and cultural imperialism. Each of these forms of imperialism re-enforces the others. In the case of Nigeria, economic imperialism was the foundation. In other words, through economic conquest, Nigeria was moved to a state of open and undisguised political and cultural subordination when Britain finally established its colonial government in the country.

Political sovereignty was lost and all lines of indigenous political organizations and consolidation were all forcefully suspended by the British invasion. New patterns of political unification were thereafter imposed from outside the country, in utter disregard for old patterns and their unities. New developments were, from that time forth, dictated by others and were guided by non-Nigerian specifications.

Into the agrarian, pre-industrial economy of the continent, a nucleus of the industrial (capitalist) economy of Europe was implanted. Through a determined push, by political Acts and economic incentives from the colonial government, coupled with its industrial character, this newly implanted sector got an advantage over the pre-industrial agrarian economy. The result was that while the European industrial implantation was growing

larger, stronger and dominant, the indigenous agrarian economy was diminishing and weakening, becoming more and more subordinate to the former.

Politically, the institutions and philosophies of Nigeria were uprooted and replaced by foreign ones. For example, Nigerian communal democracies were replaced by European pro-consular regimes and authoritarian bureaucracies. In economic terms, loss of sovereignty meant that Nigerians lost all control over the quantity, quality, speed and direction of their county's economy.

Having been fully integrated into the colonial exploitational machinery, Nigeria's pre-conquest political institutions cannot fulfill the historic duty of unifying, strengthening and fully liberating the country to sovereignty and make its citizens prosperous and proud. Instead, they ensure the continuous subordination of the country to the West. This is what is called "neo-colonialism."

Methodology of the Research

This research which seeks to investigate how Neo-Colonialism has compounded the Debt Crisis in the African countries, with particular reference to Nigeria, is a qualitative research. Therefore, Historical/Descriptive approach was used as the method of research in carrying out the study.

Since the research is exploratory in nature, the Historical/Descriptive approach as a qualitative technique is best suited for the work because it enhances the use of time series data to monitor changing conditions over time. In this case, the daily, weekly and monthly debt profile of Nigeria easily be monitored. This facilitates the prognosis of the causal relationship between Neo-colonialism and the debt profile of Nigeria.

The research method therefore involves the identification of the information needed for ascertaining the impact of Neo-colonialism on Nigeria's external debt. Data were therefore obtained from a library based investigation. As the nature of descriptive studies is, this study aims at finding out "what is". In this context therefore, exploratory method was used to collect descriptive data to be used in analyzing the effect of Neo-colonialism on the rising debt profile of Nigeria.

For the purposes of this study, documentary instrument was used as the major source of data collection. The research therefore relied solely on secondary data. Inspiration was drawn from published and unpublished materials such as international and local journals, bilateral and multilateral agreements, treaties, governmental and non-governmental reports, annual reports of private corporate bodies, expert committees and commissions reports, newspaper and magazine reports, books, as well as research reports that deal with the debt profile of Nigeria. Such reports include published works by organizations like Transparency International, Center for Strategic and International Studies, United Nations Organization, Local and International Dailies, etc. Other sources consulted include published and unpublished research works by scholars on the African countries external debt.

Being a historical/descriptive research, qualitative approach was used in analyzing the data generated during the course of the study. This involved the application of textual

tools to draw inferences on Neo-Colonialism and Debt Crisis in Nigeria.

Discussion and Findings

From the foregoing, it is clear that Neo-colonial manipulation of International Financial Institutions like the IMF and WTO tend to increase the continued and increasing dependence of African countries on foreign loans. On the other hand, accumulated foreign debt tends to impact negatively on the economic development of African countries. Moreover, the “comprehensive approach” and “the market approach” as well as the IMF panacea tend to compound African countries debt crisis.

This exposes the role of International Financial Institutions in African countries debt crisis. The actions of the developed world and their international financial institutions like IMF and WTO have pushed developing economies into a debt cycle where the former force loans on the later without recourse to how the loans are utilized with a deliberate plan to collect exorbitant interests for their misuse and turn around to give out more loans to them with stiffer conditions. Through the imposition of exorbitant interests, the creditor nations, in the words of Mark Malloch Brown, the head of the United Nations Development Program, take back with their left hand every cent they give with their right (Shah, 2008:7).

This problem is compounded by excessive production in the developed world. Coupled with the fact that the developed world is the only consumer market for manufactured goods, it has over capitalized to the detriment of the African countries, which is conversely incapacitated to capitalize. Therefore, African countries are deprived of their share of capital, high paying jobs, and markets. Thus, they trade their valuable resources for products manufactured by well-paid labor in the over-capitalized countries (Shah (2007:6).

The exportation of cheap agricultural products and the importation of consumer goods destroy an undeveloped country's agricultural economy and forestall the building of industries to produce these products locally and build an internal market economy in African countries. These countries therefore end up borrowing money to buy consumer products from the developed countries. It is a known fact that if a loan is to be of lasting value to the country to which it is granted, it must be put to productive, not unnecessary consumptive, or wasteful use. Only by building industries for production instead of spending borrowed funds on consumption can a society become self-sufficient, build an internal market economy, gain equality in world trade, and eliminate poverty (Shah, 2007:6). The inability of African countries to do this has reduced them to a consumerist economy and near perpetual indebtedness to the rich nations.

While the debt figures are a life sapping burden on the part of the African countries, the rich countries view the debt figures as insignificant. Quoting UNICEF data, Shah (2007:4) shows that approximately 5 million children and vulnerable adults have lost their lives in sub-Saharan African countries as a result of the debt crunch since the late 1980s. Some 11 million children die each year around the world, not just in African countries but also in other backward nations of the world, due to similar conditions of poverty and debt. Shah intimates that multitudes are dying in Southern African countries to facilitate the repayment of the post-Apartheid debt of £11 billion ($18 billion) that South

Africa borrowed to maintain apartheid, and the £17 billion ($28 billion) that the neighboring states borrowed because of apartheid destabilization and aggression.

Shah (2007:4) also reports that the United Nations fears another 3 million children could have died in the poorest countries of sub-Saharan African countries by 2015, the same year the target for the Millennium Development Goals was to cut poverty by half. These statistics typically define children as those under the age of five neglecting children who are about 6 or 7. The Progress of Nations, 1999 report by UNICEF has shown that African countries debt is killing children. The report shows that as countries are diverting resources away from social provisions to repay debt, those most affected are the poor, especially women and children (Shah, 2000:1).

UNICEF's Progress of Nations 2000 report puts the mortality rate of children resulting from debt repayment at 30,000 daily. These children, according to the report die quietly in some of the poorest villages on earth, far removed from the scrutiny and the conscience of the world. Due to their meekness and weakness in life, the death of these multitudes is indiscernible. Despite the lack of statistics on these obscure deaths, approximately 11 million children die each year from poverty (Shah, 2000:1).

Shah (2011:1–2) has argued that poverty does not necessarily mean a lack of material wealth on the one extreme or a developed economy on the other. He defines successful development to include:

> An improvement in living standards and access to all basic needs such that a person has enough food, water, shelter, clothing, health, education, etc.; a stable political, social and economic environment, with associated political, social and economic freedoms, such as (though not limited to) equitable ownership of land and property; the ability to make free and informed choices that are not coerced; be able to participate in a democratic environment with the ability to have a say in one's own future; to have the full potential for what the United Nations calls Human Development.

Citing the Human Development Reports of the United Nations Development Programme, Shah (2011:2) claims that "human development is about much more than the rise or fall of national incomes. It is about creating an environment in which people can develop their full potential and lead productive, creative lives in accordance with their needs and interests. People are the real wealth of nations. Development is thus about expanding the choices people have to lead lives that they value. And it is thus about much more than economic growth, which is only a means … of enlarging people's choices."

Debt also causes poor countries to lose foreign exchange. Most loans to the African countries have to be paid back in hard currencies (which do not usually change too much in value, e.g. the Japanese Yen, the American Dollar, etc.). Poor countries have soft currencies (values which can fluctuate). Paying off loans implies losing foreign exchange in hard currencies. This leads them to collecting more loans to be able to continue buying the manufactured products from the West.

This proves that neocolonial manipulation of International Financial Institutions like the IMF and WTO tends to increase the continued and increasing dependence of African countries on foreign loans. As these foreign debts through loans accumulate, it tends to impact negatively on the economic development of African countries.

“Generally, Government debt as a percent of GDP is used by investors to measure a country's ability to make future payments on its debt, thus affecting the country borrowing costs and government bond yields” (Trading, 2018:2). Poverty resulting from debt has also serious implications for the environment and ecosystem. In an attempt to eke out a living from the available resources around them, the poor of the earth destroy the environment. Shah (2001:1) has shown that “excessive debt burden means that it becomes harder to sustain the environment.” Rainforests and wildlife are greatly in danger in this regard. To substantiate this fact, Shah (2001:1) reveals how Brazil's IMF debt and financial problems have severely affected a project to save the Amazon rainforest.

As a result of environmental degradation, poor countries suffer natural disasters such as hurricanes, floods and fires. In the event of such natural disasters, the cost of rebuilding becomes overwhelming. Saddled already with an over-burdened debt, these natural disasters have serious implications for life and property in these countries. The Mozambican flood of early February 2000 where more than 300,000 were feared to have lost everything is a clear example (Shah, 2001:2).

The experience of Madagascar, the fourth largest island in the world, was more disastrous than Mozambique. Two cyclones hit the city affecting 600,000 people in their trail, according to a UN estimate (Shah, 2001:2). The devastation of Hurricane Mitch in November 1998 in Honduras and Nicaragua and other Central American states brought to the fore the problem of debt repayment and the need for debt relief. Dumont (1988:185) argues that for African countries, poverty is compounded due to harsh weather condition which makes agriculture very difficult, resulting in low yields.
Moreover, expensive aid and development programmes from Europe have been found to be destroying parts of the environment in developing countries and driving local and indigenous people into further poverty and misery. Shah (2001:2) cited the Kyoto Conference on Climate Change where the developed nations were forced to reduce their emission rates while developing nations were not. This policy should be viewed in the light of the developed nations' desire to safeguard the activities of their multinational corporations operating in African countries. The environmental consequences of such policies by industrialized nations have, according to Shah (2001:2) “had a large, detrimental and costly effect on developing countries - especially the poor in those countries that are already burdened with debt.”

Several developing nations have attempted to tackle the monster called foreign debts that have crippled their economies to no avail. The application of various methods known to the leadership of these countries has proved abortive.

Okereke, et. al. (2010:191) specified two debt management approaches – the comprehensive approach and the market approach that are generally applied to tackle debt crisis globally. According to them, the comprehensive approach prescribes a general solution for all Heavily Indebted Poor Countries (HIPC) based on the belief that

the problems of debtor countries and consequently, their policies are similar. On the other hand, the market approach is a case-by-case approach which '… takes into account the unique or peculiar circumstances" of debtor countries and therefore prescribes specific solutions for debt management for groups of countries with similar conditions and prospects.

Okereke, et. al. (2010:191–198) also went ahead to identify various debt management strategies as well as some debt management proposals to include Embargo on New Loans, Debt-Equity Conversion, Debt Rescheduling, the Volcker/De Larosiere Plan, and the Baker's Plan. Unfortunately, these strategies and proposals have not in any way helped to alleviate the debt burden of developing countries. Instead, the Structural Adjustment measures that were proposed by Volcker and De Larosiere in their plan have been behind the escalation of the debt crisis and the perpetual poverty and indebtedness of African countries to the West. We also examine here the IMF solution that is mostly prescribed by the West for debtor countries.

The IMF Panacea

For decades, the International Monetary Fund has imposed its will on Heavily Indebted Poor Countries (HIPC), restructuring their economies without recourse to the opinions of the millions of people affected by their policies. Protests by local people such as farmers, workers, consumers, small entrepreneurs and many others have fallen on deaf ears. Not only has the Fund failed to respond, but also has threatened to cut off all international financing if its adjustment policies are not implemented, thereby wielding the governments of the client countries to become unresponsive to their citizens' demand (Shah, 2005:5).

Although the IMF and World Bank have the ability to cover the costs of cancellation without affecting their ability to function, these two organizations remain the biggest creditors to the poorest countries. This has aggravated global economic crisis. Unfortunately, the G8 nations which are bent on global governance have not been able to solve this deepening crisis but instead have contributed to the crisis "by supporting policy solutions that bypass the UN and that favour transnational corporations over public welfare" (Shah, 2008:3). The most generous proposals for debt relief made by the G8 nations during their 1999 conference in Cologne, Germany, according to Jubilee 2000, "had not gone far enough to help relieve the burden of debt and poverty and in fact, was equivalent to just 5 loaves of bread per person for the year" (Shah, 2008:9).

It is a known fact that the structural adjustment measures, global, unregulated free markets, lack of protection for emerging economies and debt, all contributed to the global economic and financial crisis in the late 1990s. It saw stock markets stumble, economies collapse, unemployment and poverty increasing (and western nations and institutions made sure that the IMF "rescue" packages would help get their money back, while structurally "adjusting" the affected nations).

The IMF is aware that as long as capital flows freely, nations will be vulnerable to self-fulfilling speculative attacks and policymakers will be forced to play the confidence game. IMF "rescue" packages focus on cutting government spending and results in causing local businesses to crash while ensuring that odious lending by Western banks

was repaid in full. This is an indirect way of punishing “crony capitalists” for their inherent shortcomings. On the hills of this, the IMF would recommend the removal of any remaining obstacles to the free play of market forces, opening currency and capital markets to unregulated speculative flows as solution for the future.

Irrespective of how sensible IMF conditions may seem, all too often they only serve the interests of the lenders rather than the borrowers. They are tailored towards getting countries that accept the conditions deeper in debt and to grow more impoverished. Most often, as the countries try to repay, the lenders impose what they say are anti-poverty and anti-corruption conditions, but which most often, have other agenda such as opening up poor countries to multi-national companies (Shah, 2005:1).

Shah (2007:4) has proved that the IMF conditionality imposes often disastrous policies of trade and capital account liberalization, privatization and restrictions on social expenditure, thereby causing poor countries to pay four times more than the original debt they owed the rich countries.

In 1982, Mexico defaulted on its debt payment, threatening the international credit system. The IMF and World Bank stepped into Mexico and other nations facing similar problems, prescribing their loans and structural adjustment policies to ensure debt repayment. This resulted in great suffering for the poor masses of the country as a result of the harsh conditions of structural adjustment.

According to Shah (2001:1), “Zambia's diligence in pursuing World Bank and IMF-led reforms has resulted in an increase in the poverty gap and the weakening of the country's social services. Its debt burden has fundamentally undermined its efforts to tackle the HIV/AIDS crisis and the numbers infected continue to rise above one million. Zambia has been forced to strain its resources to the limit in seeking to meet its huge debt service obligations.”

Structural adjustment advice in the past from the IMF and others, has led to a cutback on important spending such as health, education, in order to help repay loans. This has implied a downward spiral and further poverty. While creditor nations who have made promises of debt cancellation have insisted that the freed up money be used for things like poverty eradication, health and education provisions and so on, instead of being used to corruptly enrich bureaucrats and politicians, IMF conditions have demanded a cut in spending for such item and therefore have made it impossible for Highly Indebted Poor Countries to meet the requirement for debt cancellation.

It is a contradiction that these same countries insist that poor countries seeking aids and loans or debt relief must implement IMF and World Bank programmes. Joseph Stiglitz, former Vice President and Chief Economist of the World Bank reveals that these conditions are based on '“the Washington consensus of US economic officials, the IMF and World Bank”' (Shah, 2005:6). This reveals their insincerity and the fact that debt cancellation as well as the process of cancellation has some political undertones. Such candid opinion as well as his statement that IMF and World Bank conditionality undermines poor countries' democratic processes, coupled with his call to allow poor countries to make decisions for themselves if the creditor nations believe in democratization, led them to force Stiglitz to resign his position at the end of 1999.

Growing awareness of the unfair policies of the IMF and its sister organization, the WTO, has in recent times, led to protests around the world (the 1999 protest against WTO in Seattle and that of April 2000 at the venue of the annual IMF and World Bank meeting (Shah, 2005:4).

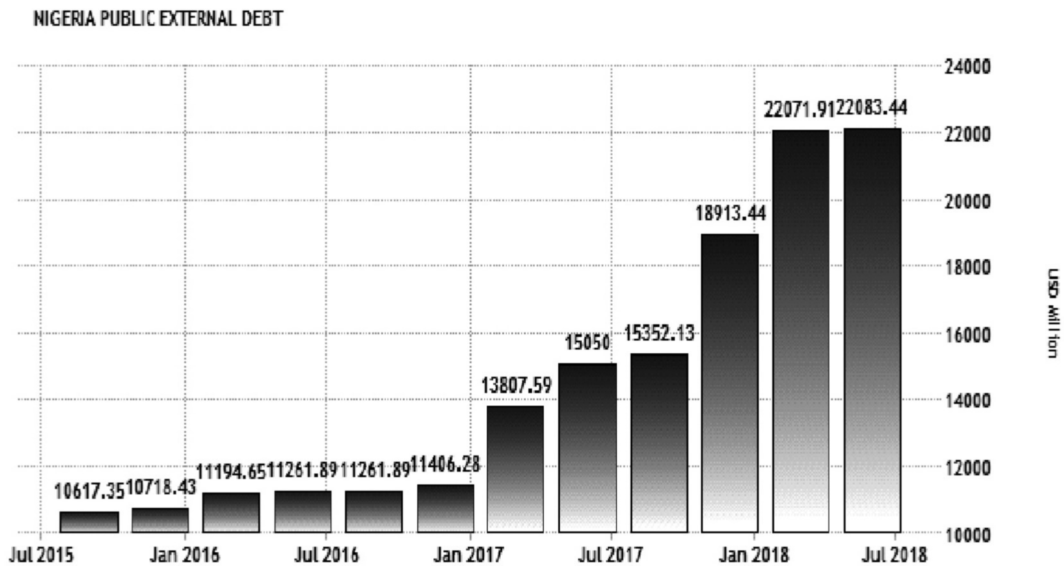
Shah (2005:5) has decried the new but limited moves towards debt forgiveness and reduction which have been spearheaded by the IMF which in turn justifies intervention by the IMF and World Bank into aspects of national policy development and institution building, well beyond the economic sphere. He sees such increased leverage being used for much the same exploitative purposes as before. This is because the move to make the IMF the arbiter of "the adequacy of poverty-reduction programmes implemented by client countries" as well as "the adequacy of government consultations with civil society" will likely give the IMF more power to control and exploit debtor countries. This shows that the "comprehensive approach" and "the market approach" as well as the "IMF panacea" instead of alleviating African debt burden, tend to compound the debt crisis for these countries.

Case Study Discussions

Statistics available shows that Nigeria's external debt has been on a steady increase due to external borrowing. Sun News Online (2018:1) quoted Dr. Patience Oniha, the Director General of the Debt Management Office, as saying that:

> Nigeria's debt stock as at the end of December 2017 stood at N21.7trn. Of this amount, the domestic debt incurred by the Federal Government was N12.589trn, while that of the 36 states and the Federal Capital Territory (FCT) was put at N3.348trn. External debt of the Federal Government, the states and FCT was N5.78trn, making the gross total N21.7trn.

Figure 1: Nigeria's Public External Debt 2008-2018.



The graph in Figure 1 shows that Nigeria's external debt increased to 22083.44 USD Million in the second quarter of 2018 from 22071.91 USD Million in the first quarter of 2018. External Debt in Nigeria averaged 8486.04 USD Million from 2008 until 2018, reaching an all-time high of 22083.44 USD Million in the second quarter of 2018 and a record low of 3627.50 USD Million in the first quarter of 2009.

The DMO also explained that the proceeds of $2.5bn Eurobond issued in February 2017 was being used to pay at maturity domestic debt, beginning with N130bn Nigeria's Treasury Bill that was repaid on March 1, 2018. In addition, she disclosed that composition of the debt stock as at 2017 showed that external debt was 26.64 percent of the portfolio, up from 20.04 percent in 2016, while domestic debt was 73.36 percent, down from 79.96 percent in 2016 (Sun News Online, 2018:1).

On possible debt trap, she allayed such fears, stating that the nation's debt stock remains within the threshold of 56 percent for countries in Nigeria's peer group. Also, the Minister of Finance, Mrs. Kemi Adeosun, had expressed the same optimism and stressed that Nigeria's capacity to offset the current debt stock, as the debt to GDP ratio remains low compared to other countries. According to her, government's borrowing was a deliberate decision, primarily to invest in infrastructure development, and that the benefits of the loans would soon be visible and their impact felt by Nigerians. About N2.5trn was said to have been spent on infrastructure in the last three years. Nothing is really wrong with such optimism by the minister. Such loans, which have been on steady rise since the present administration came to power, will be justified if properly invested in capital projects that the country desperately needs. Sadly, that has not always been the case. The concerns about misapplication of loans predate the present government. Though government insists its current borrowing along with tax policies will continue as options to ramp up economic growth, there is the need for caution (Sun News Online, 2018:1).

In spite of the fact that Nigeria's debt stock remains within the internationally accepted threshold, there are worrying signs that the present borrowing pattern could spiral out of control. For instance, Nigeria's debt- to- revenue ratio has increased by 25 percent in less than 2 years. In 2015, the debt-revenue-ratio was 35 percent. It rose to 60 percent in 2016. In 2017, the DMO set borrowing limit of $22bn (about N6.4trn) for the Federal Government. It is not clear if the government complied with that (Sun News Online, 2018:1).

Also, in 2017, the World Bank, the International Monetary Fund (IMF) and Fitch Ratings, cautioned the Federal Government against rising debt stock because of high vulnerability to risks in the future. Fitch Ratings stated in its report that Federal Government's debt had reached 320 percent over annual revenue projection. This was above the median of 196 percent for countries in Africa and the Middle East, rated by Fitch (Sun News Online, 2018:1).

Before its latest release of Nigeria's public debt, the DMO expressed concern that the debt profile had started to experience “deterioration”, even though it remained within the accepted threshold. Similarly, government admitted during the unveiling of the Economic Recovery and Growth Plan (ERGP) in 2017, that public debt had risen in recent years, due to increasing borrowings by both the federal and state governments.

There is urgent need for government to scale down domestic borrowing and spend prudently. It is worrisome that the debt profiles of most states have exceeded 50 percent of their annual revenue. This contradicts the fiscal responsibility guidelines which state that the debt status of each state should not exceed 50 percent of its statutory revenue in the previous year. Unfortunately, most states have flouted the guidelines and many have already borrowed above their threshold, ostensibly to finance their budget deficits as a result of declining revenue. Altogether, a new approach and stricter rules are needed for federal and states' loans to avoid another debt trap (Sun News Online, 2018:1).

Conclusions Drawn from the Study

This study showed that the more external debt rises, the more the inflation rate also rises and conversely, the GDP growth rate slows down. The IMF solution will never provide an answer to indebtedness of weak, poor and heavily indebted countries. Conversely, the tight macroeconomic policy demanded by the IMF compounds the financial crisis in countries with poor and weak economies.

The IMF prescription has been known to transform a financial crisis into an economic and social crisis not only by demanding but also by ensuring that the cost of financial sector restructuring is transferred from predominantly private institutions to the public purse. In that way, private debt became public debt.

It has also been discovered that government borrowing has been on steady rise since the present Buhari administration came to power. Unfortunately, such loans which are touted to be geared primarily to invest in infrastructure development have been diverted to private pockets as there are no visible signs of infrastructural development since the administration came to power. Such loans can only be justified if properly invested in capital projects that the country desperately needs. Sadly, that has not always been the case. The misapplication of loans has been a major source of concern in Nigeria since independence.

Recommendations

This article agrees with Hanlon and Pettifor (Shah, 2005:7) that “just as we would never leave anti-smoking campaigns to the cigarette companies, or ask drug pushers to run the health services, so we can no longer allow the loan pushers to determine how to break the loan habit.”

While various African countries are in the process of recovering, a United Nations Economic and Social Survey of Asia-Pacific report, as quoted by Shah (2001:2) recommends that they must learn the lessons of the Asia-Pacific financial crisis by relying on domestic roots for growth, diversifying exports and deepening social safety nets. It is interesting to note that this is the opposite of the processes prescribed by the United States and organizations such as the WTO, IMF and World Bank. These bodies prefer more liberalization and opening up of countries to allow foreign investment to be easier (and allowing pullouts to be easier).

To end the debt debacle therefore, debt campaigns must go beyond merely highlighting the negative effects of globalization on some group of people or countries, to addressing the underlying structure and financial systems that have created the modern form of globalization, if effective and real change for the world's majority is to be achieved.

Taking a cue from the G8, the Highly Indebted Poor Countries (HIPCs) also must, in concert with one another, adopt a particular unwavering stance for a once and for all cancellation of the accumulated debts with such resolve that the creditor nations cannot but accede to. After securing such cancellation, Nigeria, in particular, and African countries in general, must exercise caution in borrowing and also follow guidelines on borrowing limits.

There is also the need for caution on government borrowing as it will continue to plunge the country into more hardship. Finally, Civil Society should serve as watch dog to ensure that loans collected from international financial institutions are channeled towards capital projects to forestall the misapplication of loans by any government in power in the country.

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