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Nigeria's Debt Relief Package and the Contradictions of Commodity Trap

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Abstract
Recently Nigeria was a granted debt relief package by the Paris Club totalling US$18 billion or 60 percent of the total debt owed it by Nigeria. The Country is expected to pay the balance of 40 percent or US$12 billion beginning with US$6 billion arrears in September 2005 and the remaining US$6 billion through debt buy-back at market value. There is optimism that the savings made from debt service commitments and the prospects of debt freedom would trigger a spurt of prosperity that would propel Nigeria to economic growth and development. It is the contention of this work that this optimism is misplaced, as the fundamental condition for economic development, which is economic justice, has not been addressed. The injustice of consigning Nigeria and other Third World countries to the periphery of the global economic system where they produce primary commodities whose terms of trade are precarious is responsible for their underdevelopment The continued retention of the present international economic system with detrimental division of labour is antithetical to real development. Unless this is redressed no amount of debt relief will transform Nigeria and Third World countries to genuine development.

INTRODUCTION

Since the 1980s, Nigeria has been labouring under the excruciating weight of debt overhang. The journey to indebtedness started in 1977 when the Gen. Obasanjo regime contracted the first jumbo loan of N600million (US$1 billion) and followed up with a second jumbo loan of N734 million (US$1.456 billion) in 1978. Pockets of indiscriminate borrowings by both Federal and State governments later compounded the problem (www.cenbank.org/paymentsystem/externa_debt.htm).

The succeeding civilian administration headed by President Shagari was not able to steer the economy to sustainability. Like the preceding military administrations, it frittered away the enormous earnings from appreciated international oil prices between 1979 and 1981. In 1980 the total external debt of Nigeria was US$8.9 billion. This figure rose steadily and scandalously to US$29.0 billion in 1992; it got to an all-time high of US$34in 1995 and currently stands at

US$35.9 billion (CBN Annual Report 2004:137).

As the debt profile increased so was the debt service requirement. While the cumulative debt service disbursements by Nigeria as at 1985 totalled US $1.5 billion, these rose to US $21.9 billion in 1995 before totalling US $35 billion in 2003 (Adetunji 2004:1)

Since the early 1980s Nigeria had been clamouring for debt relief. The clamour came to a head in 1986 when the military junta of Gen. Babangida introduced the Structural Adjustment Programme (SAP). SAP failed to impact positively on the Nigerian economy. Toyo criticises SAP and argues that the ineffectiveness of SAP was principally as a result of its incongruent theoretical foundation - neoclassicism (Toyo 2002:527).

Recently the Paris Club granted 18 world's poorest countries 100 percent debt write-off worth about US$40 billion and also extended to Nigeria a debt relief package of US$18 billion dollars out of US$30 billion owed it. Optimism is upbeat that with this development Nigeria would be able to extricate itself from the exploitative shackles associated with debt peonage and be on the path of economic development.

But is this optimism well founded? In other words, can debt relief alone without the re-ordering of the international economic system guarantee economic growth and development? Africa and indeed Nigeria occupy the fringes of the international economic system where their assigned contribution to the international division of labour is the production of primary commodities. Also, apart from the constraint of dependence on primary commodities as major export earners, African economies have the added constraint of monocultural economic base. The Nigerian economy is dependent on a single export commodity - oil. The implication of this is that African economies, including Nigerian economy, face unstable export market with deteriorating terms of trade. This scenario is disadvantageous to Africa. President Museveni of Uganda appreciates this when he queried, "the value of the coffee market is US$70 billion. We, coffee producing countries, get US$5 billion, who takes the remaining US$65 billion?" (Cobb Jr 2003). It is within this context that we examine the recent debt relief granted Nigeria by the Paris Club and the contention that the resources that it would free would propel the country to economic development.

Nigeria's Debt Crisis: From Under-borrowing to Debt Peonage

Within the Third World enclave, debt burden has remained the albatross that has stunted its growth and development. The earlier euphoria accompanying political independence in the early 1960's, when most of the Third World countries especially those in Africa got their independence, gave way to despondence and crisis within a decade. The decline in the development of these countries started gradually in the 1970s and culminated into crisis proportions in the 1980s.

Nigeria enjoyed a relatively high living standard in the 1960s and continued to do so even in the early 1970s with a basket of primary commodities covering groundnut, cocoa, rubber, palm oil, coal, timber and crude oil. From one of its primary export commodities - oil, Nigeria earned unprecedented revenue owing to international oil price increases in the 1973/74 periods. With this enormous earning and with the dwindling accruals from other primary export commodities Nigeria inexorably moved to monoculturalism. Nigeria dissipated its enormous earnings from oil and within a few years plunged into debt. A combination of factors ranging from poor economic policies, corrupt leadership to deteriorating external terms of trade contributed in eroding the Nigerian economy (Trends in Developing Economies 1995:26)

It was not only Nigeria that found itself in the Western-spun web of debt in the late 1970s. Other countries were sucked into the eddy of the debt whirlwind which assumed a Tsunami status in the 1980s. The causes of the debt crisis which hit the Third World in the 1980s have been variously attributed to the oil shock of 1973-74; recession in the developed world which led to the implementation of anti-inflationary policies; rapid rise in the rate of borrowing and of lending, inadequate economic policies and the food crisis that also began in 1973 (Spero 1977: 148-149: De Vries 1987:208: Payer 1987:7-16). The skewed international economic system is also identified as a contributory factor in the emergence and persistence of the debt crisis of the Third World (Nweke 1985:1-19; Onimode 1989:234; Toyo 2002:527).

Between 1973 and 1976, Nigeria was in top form economically. This healthy economic outlook was as a result of the quadrupling of crude oil prices in the international market. Nigeria's earnings underwent exponential growth from a few hundred million Naira to N4.733 billion in 1975 and N15 billion in 1980. Sadly, the military regimes in Nigeria, Gowon (1966-1975), Mohammed (1975-1976) and Obasanjo (1976-1979) did not invest in wealth-creating ventures but engendered a generation of parasitic elites through mindless spending. Nwankwo (1986:19) corroborates it: "huge sums were simply used to buy patronage, reward political debts, acquire loyalties or acquiescence, and in many cases blatant bribery". Examples abound of this unproductive orgy of spending. In 1974, without proper economic analysis, the Federal Government of Nigeria massively adjusted the minimum wage and as a result over-bloated its recurrent expenditure to unsustainable level. Commenting on this period of Nigeria's affluence and the wasted opportunity to develop, Kalu (1987:174) observes that "even the scum of Western Europe seized the country as businessmen. Anything could be bought and sold". The erroneous notion of development held by these regimes led them to engage in massive importation both to sustain Nigeria's import-dependent industries and satisfy the growing tastes of the emergent *noveau riche*. Thus emerged the magnificient flyovers in Lagos, towering skyscrappers, race courses with rare British and European flowers and other white elephant projects. Also, under the false premise of show-casing the tourism potentials of Nigeria, these regimes embarked on monumental voyage of ego-massaging. The result was the hosting of the first African Festival of Arts and Culture (FESTAC) in 1977 and a host of other events including international trade fairs and All Africa Games.

Before 1977 Nigeria was classified by the developed countries as being under-borrowed. From 1970-1977, the average external loans of Nigeria did not exceed N500 million while 78.5 percent of this amount was from bilateral and multilateral sources, that is, soft loans on concessional terms. Within this period, debt service obligations were within the means of the country as it averaged N30.4 million (Aluko-Olokun 1989:198-199). But things changed in 1977.

Gen. Obasanjo, the then Head of Nigeria's Military government took the first jumbo loan of N600 million (US$1 billion) in 1977 from the International Capital Market and followed up with the second jumbo loan of N734 million (US$1.456 billion) from the Euro Money Market. Both loans formed the basis of the current entrapment of Nigeria and the complete erosion of its potentials for growth. While the terms for contracting the first loan included an interest rate of 1 percent above the London Inter-Bank Offered Rate (LIBOR) and repayment spread over 8 years, including a grace period of 3 years, the conditions for the second loan were the same as the first except that the interest rate was 1 percent for the first 4 years and $1^{1/8}$ percent for the last four years (Aluko-Olokun 1989; 198 - 199).

The fall-out from the huge earnings from crude oil and unwarranted loans was the expansion of importation bills. As Olukoshi (1990: 84) acquiesces:

> ... the huge amount of petrodollars accruing to the state led to an unprecedented expansion in public expenditure. From ₦8.258 billion in 1975, state expenditure rose dramatically to ₦13.281 billion in 1979 and ₦23.695 billion in 1980.

This astronomical rise in import costs was sustainable only as long as the state continued to earn sufficient foreign exchange to finance the imports. In other words once there was a shortfall in the earnings of the country, a major crisis was bound to emerge in the economy. Nigerian economy was to be thrown into such a crisis as a result of a number of factors ranging from oil glut, boycott of Nigeria's oil, decline in oil output and lower prices.

The civilian regime that succeeded the Obasanjo military junta saw the recovery of the international price of oil from US$14.9 per barrel in 1978 to US$33 per barrel and all time high of US$44.4 in

1980. This favourable economic climate saw the resurgence of unprecedented profligacy. By 1981 Nigeria's imports averaged some N1.2 billion a month, a figure that was maintained into the first quarter of 1982. Also the Federal Government drew up an ambitious 4th National Development Plan (1981-1985) of N28 billion with unrealistic projection of 2.5 mbd at US$36 per barrel and rising to US$50 per barrel before the end of the plan period. Needless to say, these projections felt flat. By 1982, the price of oil fell as a result of oil glut and Nigeria's earnings could not match its imports. This led to a serious balance of payment crisis. Shagari was nowhere solving Nigeria's economic problems when he was toppled in a military putsch led by Gen Muhammadu Buhari on 31st December 1983.

The high point in the debt debacle of Nigeria was when Gen. Ibrahim Babangida introduced the Structural Adjustment Programme (SAP) in 1986. The major features of the Babangida's SAP were the same standard IMF/World Bank conditionalities. According to Osagie (1989:226); Gana (1990:97), the most important aspect of Babangida's SAP was SFEM (Second Tier Foreign Exchange Market) which was introduced on 22nd September 1986. The benefits touted to be derivable from SFEM turned out to be a hyperbole. The cost of SFEM was enormously detrimental to the Nigerian economy. Nigeria's Naira had a free fall in the SFEM and instead of 60 percent devaluation originally planned; the Naira was devalued by 500 percent. Osagie (1989: 227) opines that this unprecedented devaluation "raised the costs of imported inputs & consequently prices of finished products in circumstances of declining real incomes & nominal money stock…."

The effect of the devaluation of the Naira on the debt profile of Nigeria was its instant burgeoning. Gana (1990:99) gives a rough arithmetic of it: given the value of the Naira then which was 1:4, that is, one United States Dollar to four Naira, an external debt of US$10 billion would require forty billion Naira to liquidate. And since Nigeria must pay in dollars, it meant borrowing more to pay both principal and interest. SAP worsened the Nigerian economy and successive governments have been grappling with problems spawned by it. Economic and Statistical Review (1996:1) concurs and avers that since the introduction of SAP in 1986, the Nigerian economy has witnessed many challenging macro economic problems, among which are rapidly deteriorating value of the Naira, high and negative rate of interest, high rate of inflation and fiscal imbalance.

Contrary to Eurocentric views that the debt burden of the Third World countries, including Nigeria, is a direct consequence of inefficiency and misapplication of loans, evidence abound that in addition to these factors, Third World countries' debt overhang is a product of wide-eyed economic policies - policies whose aim is to keep Third World countries at the periphery of the global economic system. Indeed, debt burden afforded the West a stranglehold on the economies of the Third World. Under the pretext of proffering panacea for the resuscitation of the Third World economies (which are in the throes of debilitating debt burden) a regime of economic measures were recommended, chief amongst them being trade liberalization, withdrawal of subsidies from social services and privatization.

Mr. Linus Fernando Jaramillo, Columbia's representative to the UN (cited in Offiong 2001:110) comments that the heavy and unbearable external debt burden of African countries has made them net exporters of capital to developed countries and multilateral financial institutions. This contention is indeed unimpeachable. The deliberateness of Third World debt burden is akin to the peonage system. In the peonage or debt slavery system, the worker is unable to use his nominal freedom to leave the service of his employer because the latter supplies him with credit (for overpriced goods in the company store) necessary to supplement his meagre wages. The aim of the employer/creditor/merchant is neither to collect the debt once and for all, nor to starve the employee to death, but rather to keep the labourer permanently indentured through his debt to the employer (Encarta Encyclopaedia Standard 2004).

Since 1985, Nigeria's cumulative debt service commitment has been on the rise. In 1985 the cumulative debt service payments made by Nigeria was US$1.5 billion. This jumped to US$21.9 billion in 1995 before summing up to US$35 billion in 2003 for an original loan of not more than US$13 billion. As at 2004 the total debt profile of Nigeria was US$35.994 billion with debt service requirement of US$1.756 billion. (Adetunji 2004:1; CBN Annual Report 2004:138).

Delineating Commodity Trap

Third World countries are enmeshed in commodity trap. Africa within the milieu of this trap is held even more tightly than other continents and is under the danger of economic asphyxiation. Within the global economic system, Africa is designated as the feeder zone - supplying raw materials to the developed countries and importing finished goods from them. The very process of colonialism consolidated this. Nigeria being the colonial subject of imperial Britain became the enclave for the production of timber, groundnut, cotton, palm oil cocoa, crude oil and uncountable solid mineral deposits. To ensure the continued flow of raw materials, Britain had instituted a number of policies. As Offiong (1980: 102) has noted, lands were alienated from Africans and given to Europeans to establish plantations and also Africans were forced to plant export crops. This signalled the dawn of imperialism which Brown (cited in Ake 1981: 20) denotes as "the outward drive of certain peoples to build empires - both formal colonies and privileged positions in markets, protected sources of raw materials and extended opportunities for profitable employment of labour". With imperialism, capitalism went on rampage in Africa and consigned it to the periphery of the international economic system. Imperialism, which has mutated into modern globalization, has had one goal - continued peripheralisation of the Third World, although its strategies had varied. As Ake (1981: 36) notes, imperialism used a combination of strategies ranging from the creation of consumerist orientation, stimulation of the ascendancy of primary production, stimulation of the growth of a money market and capitalist financial institution to the extension of the scope of market economy. The effects of all these have been summarized by Ake (1981 36 - 37):

> The capitalist penetration of African economic created some fundamental affinities between the African economies and that of the colonizing power. The controlled development the African economies in the interest of the metropole, which went along with the expansion of colonial trade, meant structural interdependence, for instance, in the division of labour between primary production and manufacture, and in the dependence of economic growth in the colony on the metropole's demand for colonial imports....The essence of the role of trade in the integration of African economies into the World capitalist system was that it promoted complimentarity or interdependence, albeit an "unequal interdependence" between the African economies and the metropolitan economies.

In other words, the economic and political policies of the developed countries intensify and aggravate the dependency and backwardness of African countries. For this reason their economies are characterized by low level of activities in science and technology, a high level of economic dependence on foreign monopolies, a dominant orientation on exporting raw materials and a large, alarmingly increasing foreign debt.

The scientific and technological advancement in the developed countries led to the introduction of synthetic equivalent of hitherto export earners. Thus the traditional export earners such as cocoa, palm oil, cotton, and groundnut saw its market share contracting and terms of trade worsening. The effect of this is severe external shocks as a result of catastrophic fall in real terms of commodity prices (Cho 1995:91; South Centre 1996:48-50).

Currently the Nigerian economy is monocultural in character. Crude oil remains the single highest export earner accounting for over 90 percent of Nigeria's foreign earnings. The low-level of technology, low productive base, high interest rate, lack of appropriate economic policies and elite corruption have made it practically impossible to attempt to either diversify the Nigerian economy or set the necessary infrastructure for eventual ascendance to the centre of the global economic system. The policy pronouncements of the Obasanjo administration to diversify the Nigerian economy and earn money from manufacturing, tourism, liquefied natural gas, solid minerals and agriculture have remained mere pronouncements. Instead of setting the necessary infrastructure for manufacturing, Nigeria recently started a cassava revolution in which it targets to get a chunk of the world demand for cassava (as raw materials) estimated to be billions of dollars.

The current rosy appearance of the Nigerian economy is attributable to the unprecedented increase in the price of oil in the international market. The price of oil has been high for the past three years and this high price has beefed up the country's foreign reserve. Nigeria's external reserve stood at US$23 billion as at the end of May 2005. This is a considerable increase from US $16.955 billion at the end 2004 and US $7.467.8 billion at the end of 2003 (www.cenbank.org/; CBN Annual Report 2004:158). If there is a reversal in the price of crude oil as it did in the late 1970s, the same scenario, which derailed the economy, then would be replicated and the Nigerian economy would plummet into the abyss of economic damnation. That is the fate of monocultural and primary commodities-dependent economy.

The Paris Club Debt Relief Package for Nigeria

Debtor countries have basically three approaches for getting out of the debt crisis. Nowzad (1989: 122:124); Akinnifesi (1990: 177) identify these as:

(a) Repudiation of debt which entails refusal to further debt repayment obligations;
(b) Meeting all debt obligations as and when due; and
(c) Negotiations with creditors for the debt to be restructured or cancelled.

The first entails that the debtor refuses to honour his debt repayment obligations. It is viewed seriously as it could lead to system collapse. The international financial community would declare a debtor-nation, which repudiates its debt, "in default". Apart from all further lending being stopped, its assets all over the world could be confiscated and auctioned. One past example of debt repudiation is that of Peru, where President Garcia declared that Peru was unilaterally limiting its debt payments to 10 percent of its export earnings - a de facto repudiation. This move proved detrimental to the Peruvian economy, leaving the country isolated from international financial markets and eventually leading to a crushing US$20billion foreign debt (Colgan 2001)

The second option is not feasible. Judging from the fact that debt crisis simply means inability to meet service obligations on existing debt, that is, paying interest and principal in time (Ayittey 1999), this is no option at all to a country enmeshed in debt crisis.

The third option involves mutual discussions on the way out of the debt logjam and this is where the IMF and World Bank have been playing active role. These Bretton Woods institutions under certain conditions agree to reschedule debts whose repayment poses a serious financial problem. According to Nowzad (1989:123) rescheduling involves rearranging the original payments schedule or timetable of an obligation or series of obligations.

Early attempts to address the debt crisis began in the 1980s with debt swaps by creditors and with the IMF's Structural Adjustment Programmes, which were designed to stabilize and restructure economies to ensure full payment of the debt stock. From 1988 on, a range of measures were enacted to reschedule and restructure debts through the Paris Club, an informal forum where creditor governments review and reschedule debt payments programmes for poor countries (Colgan 2001). In September 1988 in Toronto, the members of the Paris Club held an economic summit, the outcome of which was referred to as "Toronto Terms". This was a menu of options that could be chosen to reduce official debt in low-income, debt-distressed countries. These options included, reduced interest, very long grace and repayment periods (at commercial rates) or partial write-offs of debt-service obligations during the consolidation period with the rest rescheduled at commercial rates and shorter maturities or a combination of these options (World Bank Annual Report 1994:9)

An improvement was made on the 1988 Toronto Terms in 1991and was regarded as "Enhanced Toronto Terms". It comprised two options providing for deeper debt reduction plus non-concessional options from the old Toronto terms. The concessional options amounted to 50 percent forgiveness in present value terms on debt service payments falling due during the consolidation period. Enhanced Toronto terms also provided for a third non-concessional option: consolidation at market rate, with a repayment period of twenty-five years, including a fourteen-year grace period. The Naples Terms were an improvement, which provide relief up to 67 percent.

Going by the tradition of the Paris Club, its announcement on the 30th of June 2005 that it was ready to consider a comprehensive debt relief deal for Nigeria was considered by many as unprecedented. Kersley, Pettifor and Bush (2005) have contended that the debt package granted to Nigeria by the Paris Club is groundbreaking on three points: first, the US$18 billion debt forgiveness granted Nigeria represents the largest sum to be written off for any African country, beating the previous record set in September 2002 when the Democratic Republic of Congo (DRC) had US$10 billion debt written off; second, that prior to the debt reprieve, Nigeria was ineligible for Paris Club relief as Nigeria had no IMF programme in the country running; and third, that until recently Nigeria did not enjoy status (a status conferred on countries by the World Bank and which deems a country poor enough to be entitled, for example, to concessional debt relief).

The debt relief package granted to

Nigeria by the Paris Club amounts to US$18 billion representing about 60 percent of the debt owed the member countries of the Club. Out of the total debt burden of US$35 billion, Nigeria owes the members of the 19-nation-strong Paris Club about US$30.8 billion. According to the debt deal, the country is expected to pay the balance of 40 percent or US$12 billion beginning with the payment of US$6 billion arrears in September 2005 and the remaining US$6 billion through debt buy-back at market value (Ibe et al 2005:1). The debt relief was based on the "Naples Terms". The Naples Terms are equivalent of 67 percent reduction on the face value of debt and are applied to the debts of poorest nations. The UK Chancellor of the Exchequer, Gordon Brown, commented that the debt relief granted to Nigeria, combined with the debt buy-back, would "mean there is 100 percent debt relief for Nigeria possibly over the next six months"(BBC News World Edition 2005).

The debt relief breakthrough has been attributed to the economic reforms embarked by the Obasanjo administration since 2003 and the demonstrated willingness of the administration to take advantage of the exceptional revenue accruing to the country from favourable international price of crude oil to finance an exit from the Paris Club (BBC News World Edition 2005). Since 2003 the Obasanjo government has engaged on a number of economic reforms outside the normal IMF economic reform prescriptions. The framework for these reforms is a home-grown package called NEEDS (National Economic Empowerment Development Strategy). Even though Nigerians assembled this economic reform agenda, yet it is not different from myriad adjustment packages previously sponsored by the IMF.

It is erroneous to assume as Kersley, Pettifor and Bush (2005) did that since there was no IMF programme running in Nigeria that the homegrown reform package was different from the traditional IMF prescriptions. NEEDS framework derives its essential essence from the neoclassical theoretical formulation and this is the dominant theoretical foundation of all IMF prescriptions. Therefore what we have in Nigeria is akin to Jacob's voice and Esau's hand. Added to this, is the fanatical fawning of the Obasanjo government to meet the various IMF conditions. In 2002 Nigeria offered to buy back two billion dollars worth of its commercial Brady debt in an effort to restructure its unsustainable debt burden and improve relations with the IMF (www.nigeriafirst/article-895shtm). And shortly before the Paris Club relief, Obasanjo announced in different fora that he was committed to using the excess accruals from the oil boom to settle the country's debts.

Contrary to the view, that the Paris Club debt relief to Nigeria was inconsistent with its tradition, there is evidence that it followed its tradition of relying on IMF's opinion very strictly. What is the tradition? Admission to the

Paris Club for debt relief negotiations, over the years, was made contingent upon an IMF programme being in place and a track record of meeting certain conditions before a country could be deemed eligible. As Kersley, Pettifor and Bush (2005) have pointed out, an IMF programme is regarded as a seal of approval of a country and creditors have tended to insist on the comfort level of having the IMF there as gate-keepers to any debt concession. The NEEDS framework even before its implementation received the tacit approval of the IMF and during implementation it willingly monitored reforms of the Nigerian government under what it calls a system or an approach of intensified surveillance. Equally the seal of approval of the World Bank was stamped on Nigeria shortly before the Paris Club's announcement of debt relief. In the week before the 11th of June 2005 meeting of G8 Finance Ministers, the International Development Association (IDA) status was quietly conferred on Nigeria by the World Bank thus enabling it to be eligible for consideration under Naples Terms.

Issues in Paris Club Debt Relief, Commodity Trap and Sustainable Development

The debt relief granted Nigeria and 18 other countries classified as highly indebted poor countries (HIPC) accords with the shift in political and economic thinking in the developed countries. This new thinking is geared towards the consolidation of the gains of globalization. The pervasive poverty in Africa and terrorist attacks especially the September 11 attacks in the United States and other pockets of terrorist attacks worldwide are obviously a threat. For this reason the British Prime Minister Tony Blair through the Commission for Africa set up the framework on behalf of the developed countries for the redress of the poverty that has ravaged and made Africa a living hell. The 17-man Commission which has a large representation of Africans such as Nigeria's Fola Adeola (founder of Guaranty Trust Bank PLC), Meles Zenawi (Ethiopian Prime Minister), Dr K. Y. Amoako (Ghanaian and Executive Secretary of the Economic Commission for Africa), Dr William S. Kalema of Uganda, Trevor Manuel of South Africa and Mrs Linah Mahohlo (Governor of the Bank of Botswana) to name a few reportedly consulted widely throughout Africa and with the African Diaspora before making its recommendations. Some of the recommendations call on the Western leaders to increase aid, cancel debt completely and repatriate funds stolen by corrupt leaders, which are currently stashed away in numbered Western bank accounts. The recommendations also call on African leaders to improve governance and fight corruption, provide free primary education, improve healthcare, commit aid money to infrastructural development and so on (Nworah, 2005:B2)

According to the G8 Gleneagles Summit Communiqué, the G8 agreed to back this plan with a huge scale up in resources including the doubling of aid to

Africa by 2010, increasing it by US$25 billion a year as recommended by the Commission for Africa. This would be just part of an overall increase in aid for all developing countries of US$50 billion a year by 2010. Aid should rise to nearly US$100 billion a year in 2006 and to nearly US$130 billion in 2010 (www.g8.gov.uk/G8Gleneagles2005). The Gleneagles Summit of the G8 also endorsed the very recent agreement achieved by Gordon Brown to cancel 100 percent of the remaining debt, which heavily indebted poor countries owed to the World Bank, the IMF and the African Development Bank.

Having successfully dismantled national autonomy and entrenched iron-cast trans-national and trans-continental interconnectedness in earlier phases, the current trajectory of globalization does not aim at democratizing the international economic system. Far from it, its mandate is to maintain the status quo by deepening the dependence of the Third World while pretending to ameliorate their conditions. While addressing the UK Parliament recently, Prime Minister Tony Blair had said that the new G8 package for Africa was the most detailed and ambitious package for Africa ever agreed by the G8. But there is a condition to be met before its implementation; Blair identifies it as "significant improvements in standards of governance, transparency and accountability" (www.pm.gov.uk). If these three concepts- "governance", "transparency" and "accountability" were to be weighed in the scale of neo liberalism or viewed from the prism of neo classical theoretical tradition, what Blair simply meant and what the new phase of globalization connotes are the same thing - further commitment of African governments to such issues as deference to market forces, further dismantling of national barriers restricting the internationalization of the strategies of their transnational corporations (TNCs) and openness to international finance (Tandon 2000:57-59; Asobie 2001:38).

But in spite of the "detailed and ambitious" nature of the G8 Summit package for Africa it is flawed. It did not attempt to address the grave injustice leading to inequality in the international economic system. Rather it emphasized increase in aid and other sundry assistance. Yet aid and such assistance of previous years form the debt of today. Prince Norodom Sihanouk, the former king and Prime Minister of Cambodia, lamented that "in accepting their 'aid' we were injecting ourselves with virus which poisoned the national blood stream … it was an insidious paralysis-type illness and by the time the symptoms appeared, it was too late to do much about it. Even after I cut off aid altogether, the poison continued its work. Top-level 'dollar addicts' in our government were prepared to commit treason and may be ready to sabotage my stop-gap measures, in order to get the dollars flowing again" (cited in Payer 1974:104). Aid to the Third World countries was structured to be self-serving and it created not economic growth but economic dependence, not development but enslavement. (Bentsi-Enchill 1999:19). With the persistence of the current structuring of the international economic system the situation can not change for the better no matter the volume of aid sent to Africa. Craig Burnside and David Dollar in a study, which involved elaborate statistical analysis, concluded that foreign aid did promote growth. But they included a caveat: foreign aid promoted economic growth as long as the recipient government had solid fiscal, monetary and trade policies in place (Eviatar 2003). But their conclusion is not unassailable. William Easterly, Ross Lavine and David Roodman using the same methodology, though with up-to-date and comprehensive data disagreed. They contend that they did not find that aid promoted growth in good policy environments (Eviatar 2003).

African economies are characterized by dependence on cash crops, monoculturalism and import-substituting industrialization. They are trapped in the vicious cycle of primary commodity production whose prices nose-dive continuously. The vagaries of this position are such that African countries have no control over their situation. Because the primary commodities which African countries produce are incapable of absorbing shocks arising from the interplay of supply and demand, the usual response to price fall has been an increase in production. International commodity prices fell in real terms by 45 percent during the 1980s - a historically unprecedented fall. This gigantic external shock caused these economies to become balance of payments constrained (South Centre1996: 48-50). In order to earn the same amount or an amount closer to the pre-shock period, these countries must produce more. According to World Development Indicators (2003:181), in 2001 while merchandise accounted for 81 percent of all exports of goods and commercial services and manufactured goods 78 percent of merchandise export, export of primary non-fuel commodities saw their trade volumes increase, but a continuing decline in their terms of trade left them with less income.

In spite of the elaborate agenda by the developed countries to write off the Third World debt and meet the provisions of the Millennium Development Goals (MDGs), the persistence of unwholesome practices, which sustain the uneven global economic system, will erode the optimism for a sustained African development. The Communiqué of the G8 Summit in Gleneagles recognized trade as a major driver of economic growth but yet did not evolve a level-playing ground to enable Third world countries participate. Prime Minister Tony Blair says, "I wish we could have gone further in agreeing specific measures to increase access for poor countries to our markets and to eliminate the agriculture and export subsidies which unfairly count against them (www.pm.gov.uk).

Conclusion

Debt burden has remained the single most effective way through which the developed world has ensured the subservience of Nigeria and other Third World countries. The leverage, which this indebtedness conferred on the developed countries since the onset of debt crisis in the 1980s, has effectively been deployed to contain these economies. Through a combination of IMF-sponsored adjustment programmes with a string of conditionalities, the Nigerian and most Third World economies came close to the brink of total collapse. The enormous contradictions spawned by these programmes contributed to the burgeoning of their debt profiles.

The root of Nigeria's debt problem and indeed other Third World countries is the worsening of terms of trade arising from their export commodities. The Nigerian economy starting from the mid-1970s has been dependent on crude oil. Therefore fluctuations in the prices of this product greatly affect its economy, ditto to other Third World countries, which mainly are dependent on all manner of primary commodities.

Debt or no debt, Nigeria and other Third World countries could have been on the path of development had the international economic system been founded on justice. There is no justice to the Third World countries.

It is this injustice that this work has attempted to expose and in doing so argues that debt relief without international economic justice (level-playing ground in the international economic arena) will not lead to development. Instead there will be inevitable march towards re-enslavement.

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