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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name AFRICAN AFFAIRS DIRECTORATE, NSC: RECORDS

Withdrawer

LM 3/7/2024

File Folder NIGERIA (LAGOS) 03/01/1988-10/31/1988

FOIA

F12-045

Box Number 8

DEVERMONT

7

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
256348	SUMMARY	RE NIGERIA	1	3/31/1988	B1
256349	SUMMARY	RE NIGERIA	1	5/4/1988	B1
256350	SUMMARY	RE NIGERIA	1	5/6/1988	B1
256351	SUMMARY	RE NIGERIA	2	5/10/1988	B1
256352	SUMMARY	RE NIGERIA	1	5/18/1988	B1
256353	SUMMARY	RE NIGERIA	1	10/4/1988	B1
256354	SUMMARY	RE NIGERIA	1	8/2/1988	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PARIMENT IN STATE

'88 MAR -1 10:40

WASHFAX RECEIPT
DEPARTMENT OF STATE

B

S/S #

88 MAR 1 11:09

MESSAGE NO. **024838**

CLASSIFICATION

~~CONFIDENTIAL~~

No. Pages **2**

FROM: **JOE LAKE**
(Officer name)

S/S
(Office symbol)

75302
(Extension)

7224
(Room number)

MESSAGE DESCRIPTION **CABLE TO LAGOS: 44TH UNHRC PRESIDENTIAL LETTER ON CUBA**

TO: (Agency)

DELIVER TO:

Extension

Room No.

NSC

PAUL STEVENS

2224

GFWM

NSC

EXECUTIVE SECRETARY

PERITO

COHEN

PERINA

NEGROPONTE

CURTIN

SORZANO

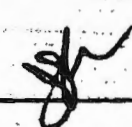
DEAN

TILMAN

FOR: CLEARANCE ☒ INFORMATION ☐ PER REQUEST ☐ COMMENT ☐

REMARKS: PLEASE CLEAR BY: **3/2 COB**

OK to clear-HTC

S/S Officer: 

JOE LAKE 

CROSSHATCH

RETURN TIME-STAMPED COVERSHEET TO S/S.

~~CONFIDENTIAL~~

0870A

IO/HW:WRFALKNER
2/29/88 EXT. 7-1534
IO:RWILLIAMSON

NSCS:
AF/W:RPROCTOR
S/S:

S/S-S:JALBA**S/S-S:BPHALL
ARA/CCA:SLIPPE (SUBS)
S/S-O:

IMMEDIATE LAGOS

IMMEDIATE GENEVA, USUN NEW YORK IMMEDIATE

DECL: OADR

PHUM, UNHRC-1, NI

44TH UNHRC PRESIDENTIAL LETTER ON CUBA

RU
MRF
NSCS

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. AMBASSADOR IS REQUESTED TO DELIVER THE FOLLOWING TEXT OF A LETTER FROM PRESIDENT REAGAN TO PRESIDENT BABANGIDA TO THE NIGERIAN GOVERNMENT AT THE FIRST AVAILABLE OPPORTUNITY. THERE IS NO SIGNED ORIGINAL.

SL
RP
BPH
S/S
S/S-O

3. BEGIN TEXT:

MARCH 1, 1988

DEAR MR. PRESIDENT:

I AM WRITING TO ASK YOUR GOVERNMENT'S SUPPORT FOR THE DRAFT RESOLUTION ON CUBA WHICH THE UNITED STATES IS INTRODUCING AT THE UN HUMAN RIGHTS COMMISSION NOW MEETING IN GENEVA. OUR RESOLUTION DOES NOT SEEK TO CONDEMN CUBA.

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Authority NSC/DOS WAIVERS
BY LM PARADITE 3/7/24

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

2

BUT TO ENCOURAGE THE DEVELOPMENT OF GREATER RESPECT FOR HUMAN RIGHTS THERE BY GIVING THEM THE KIND OF ATTENTION WHICH THE COMMISSION GIVES TO MANY OTHER COUNTRIES. THE FACT THAT CUBA HAS SO FAR ESCAPED SUCH SCRUTINY IS, I BELIEVE, AN UNFORTUNATE ILLUSTRATION OF THE KIND OF DOUBLE STANDARD WHICH JUDGES GOVERNMENTS BY THEIR IDEOLOGICAL ORIENTATIONS RATHER THAN THE REALITIES OF THEIR SITUATION -- A DOUBLE STANDARD I KNOW YOUR GOVERNMENT OPPOSES.

THERE IS AMPLE AND RELIABLE EVIDENCE THAT HUMAN RIGHTS CONTINUE TO BE VIOLATED IN CUBA ON A SCALE WHICH JUSTIFIES THE ATTENTION OF THE INTERNATIONAL COMMUNITY. THESE ARE NOT PECULIARLY AMERICAN STANDARDS WHICH WE HOPE TO ENCOURAGE IN CUBA, BUT THE INTERNATIONALLY RECOGNIZED STANDARDS OF THE UNIVERSAL DECLARATION OF HUMAN RIGHTS. SINCE LAST YEAR'S CONSIDERATION IN GENEVA, THE EUROPEAN PARLIAMENT LAST OCTOBER FORMALLY HAS ASKED THAT THE UNHRC ADDRESS THIS QUESTION. RESPECTED HUMAN RIGHTS PROMOTERS AND ORGANIZATIONS HAVE ALSO DESCRIBED THE TREATMENT EXPERIENCED IN CUBAN PRISONS AS "CRUEL, INHUMAN AND DEGRADING."

MR. PRESIDENT, I WOULD NOT ASK FOR YOUR SUPPORT IN THIS MATTER IF I THOUGHT IT WOULD RUN COUNTER TO NIGERIA'S INTERESTS, OR WERE IT NOT FOR THE EXCELLENT STATE OF OUR BILATERAL RELATIONS. I HOPE WE CAN RELY ON YOUR SUPPORT ON AN ISSUE WHICH IS OF GREAT PERSONAL CONCERN TO ME.

SINCERELY,

RONALD REAGAN

HIS EXCELLENCY
IBRAHIM BABANGIDA,
PRESIDENT OF THE FEDERAL REPUBLIC OF NIGERIA,
LAGOS.

END TEXT.VV

~~CONFIDENTIAL~~

- Cross Patch -

4

February 29, 1988

Dear Mr. President:

I am writing to ask your government's support for the draft resolution on Cuba which the United States is introducing at the UN Human Rights Commission now meeting in Geneva. Our resolution does not seek to condemn Cuba, but to encourage the development of greater respect for human rights there by giving them the kind of attention which the Commission gives to many other countries. The fact that Cuba has so far escaped such scrutiny is, I believe, an unfortunate illustration of the kind of double standard which judges governments by their ideological orientations rather than the realities of their situation -- a double standard I know your government opposes.

There is ample and reliable evidence that human rights continue to be violated in Cuba on a scale which justifies the attention of the international community. These are not peculiarly American standards which we hope to encourage in Cuba, but the internationally recognized standards of the Universal Declaration of Human Rights. Since last year's consideration in Geneva, the European Parliament last October formally has asked that the UNHRC address this question. Respected human rights promoters and organizations have also described the treatment experienced in Cuban prisons as "cruel, inhuman and degrading."

Mr. President, I would not ask for your support in this matter if I thought it would run counter to Nigeria's interests, or were it not for the excellent state of our bilateral relations. I hope we can rely on your support on an issue which is of great personal concern to me.

Sincerely,

Ronald Reagan

His Excellency,
Ibrahim B. Babangida,
President of the Federal Republic of Nigeria.

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Authority: NSC/DOS WAIVERS
LM NARA DATE 3/7/24

5

Drafted: IO/HW:WRFalkner
Approved: IO:RSWilliamson
Cleared: AF/W:RProctor
ARA/CCA:SLippe
NSCS:
S/S-O:

ID#0886A:2/29/88

DEPARTMENT OF STATE

'88 MAR -3 P 7:56

WASHFAX RECEIPT
DEPARTMENT OF STATE

B

S/S #



08 MAR 3 P 8:03

MESSAGE NO. 024938 CLASSIFICATION ~~CONFIDENTIAL~~ No. Pages 1

FROM: JOE LAKE S/S 75302 7224
(Officer name) (Office symbol) (Extension) (Room number)

MESSAGE DESCRIPTION LAGOS: INVITATION TO PRESIDENT BABANGIDA

TO: (Agency)	DELIVER TO:	Extension	Room No.
NSC	PAUL SCHOTT STEVENS	2224	GFWW
	EXECUTIVE SECRETARY		
	<u>Cohen</u>		
	<u>Peeto</u>		
	<u>BATJER</u>		

FOR: CLEARANCE ☒ INFORMATION ☐ PER REQUEST ☐ COMMENT ☐

REMARKS: PLEASE CLEAR BY: COM 3/4
cleared - HOC

S/S Officer: Joe Lake

CROSSHATCH

RETURN TIME-STAMPED COVERSHEET TO S/S.

~~CONFIDENTIAL~~

AF/W:RAPROCTOR:03656
 03/03/88 L47-3406
 AF:KLBROWN

AF/W:IRANGUIRE
 NSCS:

AF/W:FDCOOK
 S/S:
 S/S-0:

IMMEDIATE

LAGOS

E.O. 12356: DECL: OADR

TAGS: OPDC, OVIP, PREL, NI, US

SUBJECT: INVITATION TO PRESIDENT
 BABANGIDA

REF: A) LAGOS 03119 B) LAGOS 2606

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. FOLLOWING IS APPROVED TALKING POINT FOR RESPONDING TO
 OFFICIAL FMG INQUIRIES CONCERNING POSSIBILITY THAT ANOTHER
 INVITATION FROM PRESIDENT REAGAN WILL BE EXTENDED TO
 PRESIDENT BABANGIDA TO VISIT THE UNITED STATES:

-- WE REGRET THAT DATES PROPOSED FOR A BABANGIDA VISIT IN
 NOVEMBER 1987 AND MARCH 1988 WERE NOT CONVENIENT.
 PRESIDENT REAGAN'S CALENDAR IS FULL FOR THE REMAINDER OF
 HIS TERM, BUT WE WILL BE ALERT TO A POSSIBLE DATE BECOMING
 AVAILABLE FOR RESCHEDULING THE VISIT LATER IN THE YEAR.

3. EMBASSY AT ITS DISCRETION MAY DRAW FROM ABOVE TALKING
 POINT TO REPLY TO DIPLOMATIC NOTE REF B. YY

DECLASSIFIED

Authority: DOS WAIVER

BY: LM NARA DATE 3/7/24

~~CONFIDENTIAL~~

KLB
 RAP
 FDC
 RA
 S/S
 S/S-0
 NSCS

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

AFRICAN AFFAIRS DIRECTORATE, NSC: RECORDS

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LM 3/7/2024

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NIGERIA (LAGOS) 03/01/1988-10/31/1988

FOIA

F12-045

DEVERMONT

Box Number

8

7

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
256348	SUMMARY RE NIGERIA	1	3/31/1988	B1

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C. Closed in accordance with restrictions contained in donor's deed of gift.

<DIST>SIT: VAX

<PREC> PRIORITY<CLAS> ~~CONFIDENTIAL~~<OSRI> RUEHOS<DTG> 211913Z APR 88
<ORIG>FM AMEMBASSY LAGOS
<TO>TO RUEHC/SECSTATE WASHDC PRIORITY 2698
INFO RUTAKA/AMCONSUL KADUNA 3376
RUEHNM/AMEMBASSY NIAMEY 1604
RUFHLD/AMEMBASSY LONDON 2659
RUFHFR/AMEMBASSY PARIS 3515

<SUBJ>SUBJECT: NORTHERN ECONOMIC TRENDS: CAUTION REIGNS AFTER
- 18 MONTHS OF STRUCTURAL ADJUSTMENT

<TEXT>

~~CONFIDENTIAL~~ SECTION 01 OF 08 LAGOS 06237

LONDON FOR KOLKER

PARIS FOR POPE

E.O. 12356: DECL:OADR

TAGS: EFIN, ECON, EINV, NI

SUBJECT: NORTHERN ECONOMIC TRENDS: CAUTION REIGNS AFTER
- 18 MONTHS OF STRUCTURAL ADJUSTMENT

1. THIS MESSAGE HAS BEEN CLEARED BY AMCONSUL KADUNA.
2. POL/ECON OFFICER IN KADUNA AND VISITING ECONOFF
(LAGOS) CALLED ON BANKERS, INVESTMENT CONSULTANTS,
CENTRAL BANK AND PARASTATAL OFFICIALS AND BUSINESSMEN
FROM APRIL 5-8 TO DISCUSS THE BUSINESS AND INVESTMENT
CLIMATE IN NORTHERN NIGERIA AFTER EIGHTEEN MONTHS OF THE
STRUCTURAL ADJUSTMENT PROGRAM (SAP). WHILE OUR
INTERLOCUTORS ACKNOWLEDGED THE BOLD AND SWEEPING NATURE
OF FMG ECONOMIC REFORMS, FEW FELT THAT BUSINESS AND
INVESTMENT BEHAVIOR IN THE NORTH HAD CHANGED MARKEDLY IN
RESPONSE TO NEW ECONOMIC POLICIES IMPLEMENTED TO DATE.
REASONS WERE VARIED, BUT CENTERED ON LACK OF CONFIDENCE
IN THE FMG'S STAYING POWER AND A RELATED FEAR THAT SAP
POLICIES WOULD INEVITABLY BE DRAMATICALLY ALTERED BY A
SUCCESSOR REGIME. MANY PERSONS SPOKE OF THE INHERENT
CONSERVATISM AND CAUTION OF NORTHERN BUSINESSMEN, WHO
LACK SOPHISTICATED, DETAILED KNOWLEDGE OF FINANCIAL
MARKETS AND INVESTMENT OPPORTUNITIES. ALL AGREED THAT
ENHANCED GOVERNMENT-SPONSORED EDUCATION AND OUTREACH
ABOUT NEW ECONOMIC POLICIES AND THEIR POTENTIAL TO
BENEFIT THE NORTH WOULD BE CRITICAL TO THE SUCCESS OF
THE SAP. THIS TELEGRAM WILL PROVIDE AN IMPRESSIONISTIC
LOOK AT NORTHERN RESPONSES TO THE STRUCTURAL ADJUSTMENT
PROGRAM AND THE EVOLVING INVESTMENT CLIMATE.

- THE MORE THINGS CHANGE, THE MORE THEY REMAIN THE SAME

3. MANUFACTURING WOES: BANKERS REPORTED ALMOST
UNANIMOUSLY THAT KADUNA-BASED BUSINESSMEN ARE RELUCTANT
TO ABANDON LUCRATIVE VENTURES BEGUN IN PRE-SAP DAYS,
DESPITE THE RESTRUCTURING OF INCENTIVES UNDER SAP.
PREDICTABLY, MANUFACTURING CONCERNS WITH HIGH IMPORT
CONTENT (AND COSTS) NOW STRUGGLE TO KEEP AFLOAT.
ALTHOUGH THERE HAVE BEEN FEW NOTABLE BUSINESS FAILURES
(OF LARGE-SCALE ENTERPRISES), A NUMBER OF MANUFACTURING
COMPANIES ARE EFFECTIVELY AT A STANDSTILL FOR LACK OF
FOREIGN EXCHANGE, SPARE PARTS, OR OTHER IMPORTED
INPUTS. BUSINESSES IN SEVERE ECONOMIC DIFFICULTY
INCLUDE FLOUR MILLS AND THE PEUGEOT ASSEMBLY PLANT; THE
FORMER ARE ATTEMPTING TO DIVERSIFY BY MILLING GRAINS

DECLASSIFIED

Authority DOS WAIVER
BY LM NARA DATE 3/7/24

10
OTHER THAN WHEAT, BUT CONSUMER RESPONSE TO SORGHUM AND MAIZE BREAD REMAINS WEAK. COMPANIES THAT SOURCE INPUTS LOCALLY ARE DOING NICELY, ESPECIALLY IF THE GOODS THEY PRODUCE ARE NECESSITIES.

4. TRADING STILL BOOMS: ACCORDING TO ALL INTERLOCUTORS, TRADING IS STILL THE BUSINESS VENTURE OF CHOICE FOR MANY NORTHERN ENTREPRENEURS. CONSEQUENTLY, COMMERCIAL BANK OPERATIONS IN KADUNA ARE QUITE PROFITABLE, BASED ON DEPOSITS FROM AND LOANS TO SUCCESSFUL TRADERS. DESPITE SAP INCENTIVES FAVORING INVESTMENT IN AGRO-ALLIED BUSINESS AND MANUFACTURING WITH LOCAL INPUTS, NORTHERNERS FEEL THAT TRADING STILL OFFERS THE QUICKEST AND MOST RELIABLE RETURN FOR MONEY INVESTED. MANY TRADERS CONTINUE TO BRING IN IMPORTED GOODS, MOSTLY FROM THE U.K. (CLOTHING, SHOES, PERFUME, COSMETICS) AND JEDDAH, SAUDI ARABIA (ELECTRONICS, FOODSTUFFS) VIA KANO. CONSUMER DEMAND FOR THESE ITEMS IS REPORTEDLY UNABATED, DESPITE THE MUCH-BEMOANED DECLINE IN CONSUMER SPENDING POWER SINCE THE DEVALUATION OF THE NAIRA ON THE SECOND-TIER FOREIGN EXCHANGE MARKET (SFEM, NOW FEM).

5. EXPENSIVE FOREX: TRADERS CONTINUALLY SCRAMBLE FOR NEW SOURCES OF FOREIGN EXCHANGE BUT MOST OF THEIR HARD CURRENCY, ACCORDING TO BANKING SOURCES, IS ACQUIRED ON THE PARALLEL MARKET AT RATES THAT CAN GO AS HIGH AS 7 OR 8 NAIRA TO ONE US DOLLAR (USD). FYI: BY CONTRAST, LAGOS PARALLEL MARKET RATES HAVE RECENTLY HOVERED BETWEEN 5.2 AND 5.4 NAIRA/ONE USD. END FYI. ALTHOUGH PROFIT MARGINS FROM TRADING HAVE BEEN SQUEEZED SINCE SAP, NORTHERNERS CONTINUE TO FIND THE RETURNS ATTRACTIVE (15 TO 20 PERCENT VERSUS 40 TO 50 PERCENT IN BETTER TIMES). ONE BANKER WAS PUZZLED THAT TRADERS STILL MAKE
~~CONFIDENTIAL~~ SECTION 02 OF 08 LAGOS 06237

LONDON FOR KOLKER

PARIS FOR POPE

E.O. 12356: DECL:OADR

TAGS: EFIN, ECON, EINV, NI

SUBJECT: NORTHERN ECONOMIC TRENDS: CAUTION REIGNS AFTER PROFITS AFTER PAYING HIGH RATES FOR SCARCE FOREIGN EXCHANGE. HE SAID THAT SOME GOODS ARE OFFERED AT PRICES SIMILAR OR LESS THAN THOSE CHARGED IN EUROPE. EVEN WITH THE ASSUMPTION THAT TRADERS PAY "DASH" TO CUSTOMS OFFICIALS IN KANO IN LIEU OF IMPORT DUTIES, THEIR COST STRUCTURE REMAINED A MYSTERY TO HIM. OTHER BANKERS DISAGREED THAT PRICES OF TRADED GOODS WERE COMPETITIVE WITH EUROPE, SAYING THAT IMPORTED ITEMS ARE MARKED UP AT LEAST FOUR TIMES OVER THEIR ORIGINAL PRICE TAGS. ALL OF THE BANKERS INTERVIEWED INSISTED THAT THERE IS STILL A STRONG MARKET FOR TRADERS AMONG NIGERIANS WHO DO NOT TRAVEL AND HAVE THE CASH TO PAY FOR IMPORTED LUXURIES.

6. NON-OIL EXPORTS: IN RESPONSE TO THE ALTERED POLICY ENVIRONMENT, BANKS NOW ENCOURAGE CLIENTS TO PURSUE EXPORT OPPORTUNITIES AND THEY HAVE OBSERVED GROWTH IN NON-OIL EXPORTS FROM NORTHERN STATES. SOME RECENT EXPORT SUCCESSES INCLUDE: TANNED HIDES, FINISHED LEATHER GOODS, CATTLE HORNS, CHILI PEPPERS AND GUM ARABIC. THESE ARE TRADITIONAL GOODS/CROPS FOR THE NORTH; FARMERS AND BUSINESSMEN HAVE NOT YET TURNED TO NEW EXPORT VENTURES IN NOTABLE NUMBERS. BANKERS ARE FRUSTRATED BECAUSE NORTHERN BUSINESSMEN ARE LARGELY

UNAWARE OF THE WAYS BANKS CAN ASSIST THEM IN EXPORT TRADE. THEY TEND TO BE WARY AND DISTRUSTFUL OF FINANCIAL INSTITUTIONS; MANY ARE PARTICULARLY COOL TO THE NOTION OF BORROWING MONEY TO EXPAND PRODUCTION FOR EXPORT. QUITE A FEW SUCCESSFUL ENTREPRENEURS ARE ILLITERATE OR HAVE LITTLE FORMAL EDUCATION. THE AREA MANAGER OF ONE COMMERCIAL BANK SAID HE SPEAKS INDIVIDUALLY TO WEALTHY KANO AND KADUNA MERCHANTS, TRYING TO CONVINCE THEM THAT HIS BANK CAN RENDER USEFUL SERVICES (HANDLING EXPORT TRANSACTIONS WITH CORRESPONDENT BANKS ABROAD, PREPARATION OF EXPORT DOCUMENTS, ETC.); EXPORT TRADE COULD BE GREATLY INCREASED IF BUSINESSMEN WERE MORE AWARE OF ITS DIRECT BENEFITS, INCLUDING THE OPPORTUNITY TO EARN AND RETAIN FOREIGN EXCHANGE. HE DESCRIBED ONE CLIENT WHO WANTED TO EXPORT LEATHER GOODS BUT DID NOT BELIEVE HE WOULD ACTUALLY RECEIVE CASH IN EXCHANGE FOR GOODS SENT ABROAD. SOME BUSINESSMEN NOW EXPORT IN TINY QUANTITIES, ONE CRATE AT A TIME, BUT REMAIN OBLIVIOUS TO THE POTENTIAL BENEFITS OF EXPANDING VOLUMES. OTHER BANK CUSTOMERS FEEL MORE SECURE SELLING THEIR GOODS WITHIN NIGERIA WHERE THEY CAN RETAIN CONTROL OF EACH TRANSACTION FROM START TO FINISH.

NEW INVESTMENT: NORTHERNERS ARE RISK AVERSE

7. ENTREPRENEURIAL CAUTION: ECONOFFS QUESTIONED BANKERS, INVESTMENT ADVISORS AND ACCOUNTANTS ABOUT THE LEVEL OF NEW INVESTMENT IN KADUNA AND OTHER NORTHERN STATES. THEY WERE UNITED IN THE BELIEF THAT NEW INVESTMENT WILL COME SLOWLY IN THE NORTH. THOSE WHO HAVE THE MEANS TO CONTEMPLATE NEW EXPENDITURES NOW BELIEVE THEIR MONEY IS SAFER IN BANK TIME DEPOSITS VERSUS NEW VENTURES WITH UNCERTAIN PROFITS. A KADUNA-BASED INVESTMENT ADVISOR AND STOCKBROKER SAID IT WAS DIFFICULT TO INTEREST CLIENTS IN NEW VENTURES THAT CONTAINED AN ELEMENT OF RISK, AS THEY WERE ACCUSTOMED TO SAFE PROFITS THROUGH TRADING OR PARTICIPATION IN LUCRATIVE GOVERNMENT CONTRACTS. THE BUSINESS MENTALITY OF THE EARLY EIGHTIES HAS NOT FADED AND SOME BUSINESSMEN STILL HOPE FOR THE RETURN OF THE GOOD OLD (PRE-SAP) DAYS. EVEN AMONG THOSE THAT HAVE RELINQUISHED DREAMS OF IMPORT LICENSES AND MAMMOTH CONSTRUCTION CONTRACTS, THERE IS LITTLE ENTHUSIASM FOR INVESTMENT IN PRODUCTIVE ENTERPRISES (MANUFACTURING). ALTHOUGH THESE ATTITUDES ARE BY NO MEANS EXCLUSIVE TO NORTHERN NIGERIA, BANKERS WITH EXPERIENCE IN OTHER PARTS OF THE COUNTRY INDICATED THEY WERE MORE STRONGLY HELD IN THE NORTH THAN IN LAGOS, WHERE ENTREPRENEURS HAVE ATTAINED A HIGHER LEVEL OF SOPHISTICATION ABOUT FINANCING OPTIONS AND INSTRUMENTS.

8. NEW IDEAS: SOME FORWARD-LOOKING ENTREPRENEURS IN KADUNA ARE SERIOUSLY EXAMINING THE FOOD PROCESSING AND AGRO-ALLIED SECTORS BUT SO FAR, FEW HAVE FORMALLY EMBARKED ON NEW INVESTMENTS. SOME EXAMPLES OF THEIR

~~CONFIDENTIAL~~ SECTION 03 OF 08 LAGOS 06237

LONDON FOR KOLKER

PARIS FOR POPE

E.O. 12356: DECL:OADR

TAGS: EFIN, ECON, EINV, NI

SUBJECT: NORTHERN ECONOMIC TRENDS: CAUTION REIGNS AFTER IDEAS INCLUDE PROJECTS TO PROCESS CORNSTARCH FROM LOCAL MAIZE, FRUCTOSE AND DEXTROSE PRODUCTION, MEAT CANNING,

OIL MILLING FROM SEEDS/NUTS AND MILLING OF GRAINS AS ALTERNATIVES TO WHEAT. LARGE IRRIGATED FARMING PROJECTS AROUND KADUNA OWNED BY WEALTHY ENTREPRENEURS ARE BECOMING MORE COMMON. MOST PRODUCE TRADITIONAL NORTHERN CROPS, SUCH AS GROUNDNUTS, COTTON, MAIZE, GUM ARABIC, MILLET AND SORGHUM. THERE HAVE BEEN FEW EFFORTS TO INTRODUCE NEW CASH CROPS THAT COULD THRIVE IN DRY CONDITIONS, ALTHOUGH ONE INVESTOR IS NOW CONSIDERING CASHEW FARMING FOR EXPORT.

9. MONEY THEY CAN SEE: BANKERS AND INVESTMENT ADVISORS NOTED THAT TRADERS AND SELF-MADE BUSINESSMEN STILL EXPECTED AND VALUED IMMEDIATE RETURNS ON ANY FINANCIAL OUTLAY. EVEN SMALL DELAYS, OR MONEY TIED UP IN A VENTURE THAT WILL NOT YIELD FOR SOME MONTHS OR YEARS, CAN PROVOKE NERVOUSNESS. ONE BANKER CITED THE EXAMPLE OF HIS LANDLORD, A WEALTHY ALHAJI WHO PUT UP A QUARTER OF A MILLION NAIRA IN A NEWLY-FORMING COMMERCIAL BANK, SOON TO OPEN ITS DOORS IN LAGOS AND KADUNA. SEVERAL MONTHS AFTER MAKING THE INVESTMENT, THE ALHAJI APPEARED ONE DAY AT THE BANK, ANNOUNCING HE HAD COME FOR HIS MONEY. IN VAIN, THE BANKER TRIED TO EXPLAIN THAT THE ALHAJI'S INVESTMENT WOULD BE RETURNED TO HIM WITH GENEROUS INTEREST AT A LATER DATE; THE ALHAJI WAS UNMOVED, INSISTING THAT HE NEEDED TO "SEE" HIS MONEY. HE TOLD THE BANKER THAT BEYOND THE INVISIBILITY OF HIS FUNDS, HE FEARED A CHANGE OF GOVERNMENT AND AN ENSUING EXPROPRIATION OF HIS INVESTED FUNDS OR FAILURE OF THE NEW BANK.

10. CONSTRAINTS TO INVESTMENT: THE RELATIVELY HIGH COST OF MONEY NOW INHIBITS INVESTMENT, AS MEDIUM-SCALE FARMERS AND BUSINESSMEN BELIEVE THEY CANNOT AFFORD TO BORROW AT TODAY'S INTEREST RATES. THE HIGH COST OF FOREIGN EXCHANGE IS ANOTHER FACTOR; BANK CLIENTS COMPLAIN THAT THE IMPORTATION OF MACHINERY, SPARE PARTS AND OTHER INPUTS HAS BECOME PROHIBITIVE IN THEIR EXISTING BUSINESSES AND THEY WILL NOT CONTEMPLATE NEW VENTURES. ONE BANKER EXPLAINED THAT NEW INVESTORS BELIEVE THEY ARE COMPETING WITH BUSINESSES ESTABLISHED IN PRE-SAP DAYS BY PERSONS WHO IMPORTED MACHINERY AND OTHER INPUTS AT THE OVER-VALUED PRE-SFEM EXCHANGE RATE. ALTHOUGH IT IS DIFFICULT TO SEE HOW THIS LOGIC WOULD APPLY TO IMPORT-SUBSTITUTION VENTURES NOT COMPETING DIRECTLY WITH EXISTING COMPANIES, THE WELL-INGRAINED ATTITUDE HAS INCREASED INVESTOR RESISTANCE.

11. ANOTHER DAMPENING INFLUENCE ON NEW INVESTMENT IS THE PERCEPTION THAT EXISTING MANUFACTURING ENTERPRISES IN THE NORTH ARE IN SERIOUS FINANCIAL TROUBLE. ALTHOUGH THE TROUBLE MAY STEM FROM THE FACT THAT THEY WERE ESTABLISHED SEVERAL YEARS AGO IN AN ENVIRONMENT OF VERY DIFFERENT ECONOMIC INCENTIVES, POTENTIAL INVESTORS DO NOT STOP TO ANALYZE THE DIFFERENCES IN PRE- AND POST-SAP CONDITIONS. VENTURES THAT SEEMED PROMISING IN 1983-84 ARE NOW ON THE VERGE OF BANKRUPTCY. THE VENTURES MAY ALSO BE OWNED BY CLOSE FRIENDS AND ASSOCIATES. THERE IS A GENERAL PERCEPTION THAT MANUFACTURING COMPANIES CANNOT BE PROFITABLE IN THE PRESENT ECONOMIC CLIMATE. AS MOST PERSONS BELIEVE THE ECONOMY IS NOW AT ITS LOW POINT AFTER 18 MONTHS OF SAP, THEY ARGUE THAT RETURNS ON NEW INVESTMENTS CANNOT BE PREDICTED WITH ANY ACCURACY. ONE SOURCE TOLD ECONOFFS THAT SOME BUSINESSMEN WERE WAITING

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FOR THE NAIRA TO APPRECIATE BEFORE EMBARKING ON NEW INVESTMENTS THAT WOULD REQUIRE THE IMPORTATION OF CAPITAL GOODS. ON THE BASIS OF RECENT CBN EFFORTS TO PROP UP THE NAIRA, SOME NORTHERN BUSINESSMEN BELIEVE IT WILL STRENGTHEN WITHIN SEVERAL MONTHS TO 3.5/ONE USD AND THEY WILL NOT IMPORT AT TODAY'S LESS ATTRACTIVE RATES. THE BANKERS AND FINANCIAL PROFESSIONALS WE INTERVIEWED DID NOT SHARE THIS OPTIMISTIC VIEW OF EXCHANGE RATE MOVEMENTS, BUT IT IS EVIDENCE OF AN EMOTIONAL AND DEEPLY-HELD VIEW THAT NIGERIA'S CURRENCY IS UNDERVALUED, A VIEW THAT IS NOT INFORMED BY ANALYSIS OF THE EFFECT ON THE NAIRA OF DEMAND PRESSURE FOR FOREIGN EXCHANGE OR BY A LOOK AT RECENT, LOW CRUDE OIL PRICES.

12. NNPC PLANT TO ATTRACT INVESTMENT? BANKERS AND
~~CONFIDENTIAL~~ SECTION 04 OF 08 LAGOS 06237
LONDON FOR KOLKER

PARIS FOR POPE

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SUBJECT: NORTHERN ECONOMIC TRENDS: CAUTION REIGNS AFTER BUSINESSMEN ALIKE EXPECT THE RECENTLY-COMMISSIONED NNPC PETROCHEMICALS PLANT TO ATTRACT INCREASED INVESTMENT TO KADUNA. ITS PRODUCT, LINEAR ALKYL BENZENE (LAB), IS AN IMPORTANT INGREDIENT IN THE MANUFACTURE OF DETERGENTS AND SOAPS. HOWEVER, MOST OF NIGERIA'S LARGE SOAP COMPANIES ARE NOW LOCATED IN THE SOUTH; IT IS UNLIKELY THEY WILL RELOCATE MERELY FOR PROXIMITY TO RAW MATERIALS. NNPC ENGINEERS AT THE NEW PLANT TOLD ECONOFF THAT ITS PRODUCT MAY BE UNABLE TO COMPETE WITH IMPORTED PETROCHEMICALS. THE KADUNA PLANT'S COST STRUCTURE IS HIGHLY DEPENDENT ON SUBSIDIZED KEROSENE. WITH THE RECENT 43 PERCENT INCREASE IN THE COST OF KEROSENE (FROM 10.5 KOBO/LITER TO 15), THE PRICE OF LAB PRODUCED IN KADUNA IS LIKELY TO EXCEED THE PRICE OF IMPORTED LAB. ALTHOUGH THE FMG HAS ANNOUNCED A BAN ON BRNCHED ALKYL BENZENE (BAB), A COMPETING IMPORT, AS OF JANUARY 1, 1989, NNPC SOURCES INDICATED THAT ADDITIONAL GOVERNMENT PROTECTION MAY BE REQUIRED IF THE NEW PLANT IS TO BE ECONOMICALLY VIABLE. BANKERS NOTED THAT IN A FREE AND UNCONTROLLED MARKET, NIGERIAN COMPANIES WOULD INEVITABLY IMPORTED CHEAPER LAB AND SHUN THE LOCAL PRODUCT. HARD TIMES IN THE SOAP AND DETERGENT INDUSTRY (LEVER BROTHERS) AND CONSUMER SUBSTITUTION OF LESS EXPENSIVE ALTERNATIVES ARE ALSO WORRISOME TRENDS. RUMORS OF TECHNICAL DIFFICULTIES AT THE LAB PLANT PERSIST, GIVING RISE TO CONCERN ABOUT SUPPLY OF RAW MATERIALS; A LARGE EXPATRIATE WORK FORCE (INCLUDING THE PLANT MANAGER) IS ACTIVE AND HIGHLY VISIBLE IN THE FACILITY.

FOREIGN EXCHANGE: NEVER ENOUGH IN KADUNA...TRY LONDON

13. SCARCITY PUSHES PARALLEL MARKET RATES: BANKS IN KADUNA ARE UNABLE TO PROVIDE CUSTOMERS WITH ENOUGH FOREIGN EXCHANGE FROM FEM TRANSACTIONS BUT THEY REPORT THE INTERBANK MARKET IN KADUNA IS NOT AS ACTIVE AS IN LAGOS. INTERBANK RATES DURING THE FIRST WEEK OF APRIL HOVERED BETWEEN 5.2 AND 5.6 NAIRA/ONE USD. INDIVIDUALS AND BUSINESSES OFTEN PREFER TO SELL THEIR FOREIGN EXCHANGE ON THE PARALLEL MARKET, NOT WISHING TO DISCLOSE QUANTITIES AND RATES TO BANKS. IN ADDITION, THE PARALLEL MARKET RATE IS NOW FAVORABLE TO SELLERS. BUYERS, ON THE OTHER HAND, PREFER THE MORE AFFORDABLE

FEM AND INTERBANK FOREX. BANKS HANDLE LARGE TRANSACTIONS; ONE BANKER MENTIONED A RECENT SALE OF 10 MILLION POUNDS STERLING.

14. FOREX REMAINS ABROAD: ECONOFFS ASKED ALL INTERLOCUTORS IF NORTHERN RESIDENTS WERE BRINGING BACK SIGNIFICANT QUANTITIES OF FOREIGN EXCHANGE FROM BANK ACCOUNTS ABROAD. BANKERS AND INVESTMENT ADVISORS INDICATED THAT THE INFLOW OF HARD CURRENCY IS RELATIVELY SMALL. NORTHERN NIGERIANS BRING BACK SMALL AMOUNTS TO PAY FOR LIVING EXPENSES OR SPECIFIC LOCAL PROJECTS (I.E. BUILDING A NEW HOUSE). THEY ARE VERY RELUCTANT TO ADVERTISE THE EXISTENCE OF THEIR FOREIGN ACCOUNTS AND ARE AFRAID TO BRING MUCH HARD CURRENCY INTO THE COUNTRY. THE BUHARI-ERA INVESTIGATIONS AND HARASSMENT OF PERSONS WITH FOREIGN ACCOUNTS HAVE NOT BEEN FORGOTTEN AND ALTHOUGH THE BABANGIDA GOVERNMENT HAS LOOSENED EXCHANGE CONTROLS TO AN UNPRECEDENTED DEGREE, PEOPLE BELIEVE THEIR MONEY IS NOT SAFE IN NIGERIA. BANKERS AND BUSINESSMEN ALIKE FEAR THAT A SUDDEN CHANGE OF GOVERNMENT COULD ERASE NEW AND LIBERAL POLICIES, RESULTING IN PERSECUTION OF FOREIGN ACCOUNT HOLDERS. NORTHERNERS ARE ALSO EXCEEDINGLY RELUCTANT TO DRAW THE ATTENTION OF FMG SECURITY AGENTS THROUGH LARGE TRANSFERS, FEARING EMBARRASSING QUESTIONS ABOUT THE SOURCE OF FUNDS HELD ABROAD. ALTHOUGH MANY PERSONS CONCEDED THAT THE PRESENT GOVERNMENT HAS MADE EFFORTS TO BE LENIENT AND FORGIVING, PROVIDED THAT FOREIGN EXCHANGE HELD ABROAD COMES BACK TO NIGERIA FOR PRODUCTIVE INVESTMENTS, FEW ARE PREPARED TO TEST THE THEORY PERSONALLY. AN OFFICIAL OF THE NORTHERN NIGERIAN DEVELOPMENT CORPORATION (NNPC) ESTIMATED THAT FOREIGN EXCHANGE OUTFLOW NOW EXCEEDS INFLOW.

LENDING FOR AGRICULTURE: ADAPTATION AND SURVIVAL

15. FEM INHIBITS SPREAD OF TECHNOLOGY: IN AN INTERVIEW
~~CONFIDENTIAL~~ SECTION 05 OF 08 LAGOS 06237

LONDON FOR KOLKER

PARIS FOR POPE

E.O. 12356: DECL:OADR

TAGS: EFIN, ECON, EINV, NI

SUBJECT: NORTHERN ECONOMIC TRENDS: CAUTION REIGNS AFTER WITH THE MANAGING DIRECTOR OF AN AGRICULTURE COOPERATIVE BANK BASED IN KADUNA, ECONOFF LEARNED THAT SAP HAS IMPEDED PROGRESS IN MECHANIZED FARMING. THE COST OF IMPORTED TRACTORS AND SPARE PARTS ESCALATED SHARPLY AFTER THE NAIRA WAS DEVALUED (SFEM/FEM), MAKING IT VIRTUALLY IMPOSSIBLE FOR SMALL- AND MEDIUM-SCALE FARMERS TO MECHANIZE. THE BANK HAS INTERVENED TO ENSURE ACCESS FOR SMALLER FARMERS TO MECHANIZED TECHNOLOGY BY SETTING UP A PROGRAM OF LOANS TO SMALL ENTREPRENEURS FOR THE PURCHASE OF THREE TO SIX TRACTORS. THE ENTREPRENEURS THEN LEASE THE EQUIPMENT TO FARMERS AND PROVIDE SERVICE AND MAINTENANCE. THE PROGRAM HAS BEEN POPULAR IN NORTHERN STATES AND IS PART OF A DRIVE TO ENCOURAGE ENTREPRENEURIAL ACTIVITY IN THE AGRICULTURAL SERVICES SECTOR. THE BANK IS ALSO TRYING TO ENCOURAGE IRRIGATED FARMING IN RIVER BASIN AREAS WITH DAMS.

16. COOPERATIVE BANK LENDING: THE BANK HAS THREE SOURCES OF CAPITAL: INITIAL SHARE CAPITAL FROM THE CENTRAL BANK, BORROWING FROM THE DOMESTIC AND INTERNATIONAL MARKETS, AND FUNDS FROM COMMERCIAL BANKS

WHO HAVE FAILED TO MEET GOVERNMENT-MANDATED AGRICULTURAL LENDING TARGETS. THE NAIRA DIFFERENCE BETWEEN THE TARGETED AMOUNT AND ACTUAL LOANS MADE IS TAKEN BY THE CBN AND GRANTED TO THE COOPERATIVE BANK FOR ON-LENDING. 1988 IS THE FIRST YEAR OF THIS CONTROVERSIAL PROGRAM WHICH UNDERLINES THE SERIOUSNESS OF THE FMG COMMITMENT TO EXPANDING FINANCIAL RESOURCES FOR THE AGRICULTURAL SECTOR. THE COOPERATIVE BANK'S LOANS ARE EXPENSIVE TO ADMINISTER BECAUSE OF THE LONG HOURS OF CONSULTATION AND INVESTIGATION REQUIRED FOR EACH SMALL-SCALE FARM CUSTOMER. COMMERCIAL BANKS PREFER TO AVOID THE TIME, EXPENSE AND RISK INHERENT IN SUCH LOANS. THE COOPERATIVE BANK HAS THE MOST PROBLEMS (NON-PERFORMING LOANS) WITH BIG PROJECTS; SMALL-SCALE FARMERS MAY BORROW ONLY 5,000 NAIRA, BUT IT IS GENERALLY REPAYED ON TIME WITHOUT ARGUMENT.

17. SAP AND THE SMALL FARMER: ECONOFFS ASKED HOW THE HARDSHIPS OF STRUCTURAL ADJUSTMENT HAD AFFECTED SMALL RURAL FARMERS. THE MANAGING DIRECTOR SAID THAT WHILE THE SMALL-SCALE RURAL FARMER DID NOT HABITUALLY PURCHASE IMPORTED GOODS OR FOODSTUFFS, THE HIGHER IMPORT COST OF HERBICIDE, FERTILIZER, PESTICIDE AND RENTAL OF MACHINERY WAS PASSED ALONG THROUGH MIDDLEMEN AND RETAILERS. SOME FARMERS HAVE FOUND THEY CAN NO LONGER AFFORD TO UTILIZE EVEN MODEST AMOUNTS OF THOSE INPUTS. AS A RESULT, YIELDS ARE LOWER (YIELDS WERE ALSO ADVERSELY AFFECTED BY LOW RAINFALL IN 1987). WITH FAR LESS PRODUCTION AVAILABLE FOR DOMESTIC CONSUMPTION AND SALE, FARM FAMILIES ARE PAINFULLY SQUEEZED, WITH LITTLE DISPOSABLE INCOME FROM EXCESS PRODUCTION AVAILABLE TO FINANCE TRADITIONAL CELEBRATIONS ON FAMILY OCCASIONS (MARRIAGES). THE QUALITY OF LIFE FOR RURAL FARM FAMILIES HAS THUS DETERIORATED, ACCORDING TO THE MANAGING DIRECTOR, AS THEY EXIST WITH MUCH LESS FOOD AND EXPERIENCE RIDICULE FROM FRIENDS AND RELATIVES WHO KNOW THEY CANNOT AFFORD TO PAY FOR FAMILY AND SEASONAL/ RELIGIOUS CEREMONIES.

18. CBN SLUGGISHNESS DELAYS NEW INVESTMENT: LARGER PROJECTS AND INVESTMENTS IN NORTHERN STATES HAVE SO FAR CONCENTRATED MAINLY ON REVIVAL OF TRADITIONAL CROPS. LARGE-SCALE FARMERS ARE ENCOURAGED BY HIGHER PRODUCER PRICES FOR CASH CROPS (COTTON, GROUNDNUTS). HOWEVER, COMMERCIAL BANKERS SAY THE START-UP OF NEW, LARGE PROJECTS IS OFTEN DELAYED FOR MONTHS BY THE CBN'S SLOWNESS IN PROCESSING CREDIT GUARANTEE DOCUMENTS. THE FMG, UNDER AN AGRICULTURAL CREDIT GUARANTEE SCHEME ADMINISTERED BY THE CBN, WILL MAKE GOOD SPECIFIED AMOUNTS AND/OR PERCENTAGES OF THE VALUE OF EACH INVESTMENT TO BANKS WHOSE CUSTOMERS HAVE DEFAULTED ON LOANS. MAXIMUM CBN LIABILITY ON A LOAN GRANTED TO AN INDIVIDUAL IS 50,000 NAIRA; IT IS ONE MILLION NAIRA FOR LOANS GRANTED TO CORPORATIONS OR COOPERATIVES.

COMMERCIAL BANKERS, WHILE SKEPTICAL THE CBN WOULD EVER

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LONDON FOR KOLKER

PARIS FOR POPE

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TAGS: EFIN, ECON, EINV, NI

SUBJECT: NORTHERN ECONOMIC TRENDS: CAUTION REIGNS AFTER

PAY IN CASES OF DEFAULT, WILL NOT APPROVE LARGE AGRICULTURAL LOANS WITHOUT THE CBN GUARANTEE CERTIFICATE, AN IMPORTANT BOOKKEEPING DOCUMENT NEEDED FOR BANK EXAMINATIONS. THE LONG DELAYS, CONTRARY TO THE SPIRIT OF THE FMG'S PROGRAM TO PROMOTE DEVELOPMENT OF THE AGRICULTURAL SECTOR, HAVE DISCOURAGED INVESTMENT IN LARGE-SCALE FARMING.

BANKING OPERATIONS: SLOW BUT STEADY EXPANSION OF BRANCHES, CREDIT, SERVICES

19. A GOOD RISK IS HARD TO FIND: ALTHOUGH COMMERCIAL AND MERCHANT BANKERS CONCEDED THAT BANKING WAS STILL PROFITABLE IN THE NORTH, THEY ALSO SAID IT WAS BECOMING MORE AND MORE DIFFICULT TO IDENTIFY GOOD CREDIT RISKS AMONG THEIR BUSINESS CLIENTS. MOST BANKS MUST ACTIVELY SOLICIT BORROWERS, ALTHOUGH DEPOSITS FLOW IN READILY. FEW IF ANY ARE ABLE TO FULFILL GOVERNMENT-MANDATED LOAN TARGETS FOR SMALL SCALE ENTERPRISES. AN AREA MANAGER FOR ONE COMMERCIAL BANK SAID HIS BRANCH MANAGERS PREFERRED TO SOLICIT EXISTING SMALL BUSINESS CUSTOMERS WITH GOOD COLLATERAL FOR SECOND AND THIRD LOANS, RATHER THAN RISK LENDING TO UNKNOWN, SHAKIER ENTERPRISES. HOWEVER, EVEN GOOD CUSTOMERS ARE GETTING IN OVER THEIR HEADS; THE KADUNA MANAGER OF ONE OF NIGERIA'S "BIG THREE" BANKS CONFESSED THAT A NUMBER OF "SOLID" LOANS WERE BEGINNING TO TURN SOUR. BANKERS DESCRIBED EFFORTS TO OVERCOME THE TRADITIONAL NORTHERN AVERSION TO BORROWING; SOME LOCAL ENTREPRENEURS PREFER TO SPEND AND INVEST STRICTLY FROM EARNINGS.

20. NO GREAT RUSH FOR ADVICE: COMMERCIAL BANKERS AND ACCOUNTANTS REPORTED SOME INCREASE IN DEMAND FOR FINANCIAL CONSULTING SERVICES, BUT IT HAS FALLEN SHORT OF EXPECTATIONS. EVEN COMPANIES WHOSE COST STRUCTURES--AND BALANCE SHEETS--HAVE BEEN ADVERSELY AFFECTED BY SAP REFORMS ARE GRIMLY HANGING ON, HOPING THAT HARD TIMES WILL PASS. THERE ARE, HOWEVER, SOME INDICATIONS OF UNVOICED DEMAND FOR NEW SERVICES AND INVESTMENT VEHICLES. A KADUNA BRANCH MANAGER FOR A MERCHANT BANK DESCRIBED A SEMINAR HE HAD RECENTLY ATTENDED IN KANO WITH WEALTHY BUSINESSMEN. PROMINENT KANO ALHAJIS HAD MENTIONED THEIR RELUCTANCE TO MAKE INTEREST-EARNING DEPOSITS OR INVESTMENTS THAT VIOLATED THE MUSLIM PROSCRIPTION OF USURY. HOWEVER, LEGITIMATE SALES PROFITS OR INVESTMENT RETURNS FROM BUSINESS ENTERPRISES CAN BE SPLIT EQUALLY AMONG INVESTORS WITHOUT OFFENDING RELIGIOUS SENSIBILITIES. THE BANKER REPORTED CONSIDERABLE INTEREST IN NEW INVESTMENT OPPORTUNITIES, BUT THE KANO ALHAJIS DID NOT KNOW WHERE OR HOW TO FIND OR ORGANIZE THEM. DURING THE SEMINAR, THE POSSIBILITY OF STARTING AN UMBRELLA MUSLIM ORGANIZATION FOR NORTHERN INVESTORS WAS DISCUSSED.

21. RURAL BANKING VERSUS TRADITION: THE AREA MANAGER OF A COMMERCIAL BANK DESCRIBED HIS INSTITUTION'S EFFORTS TO EXPAND OPERATIONS IN THE RURAL AREAS AND IN REMOTE NORTHERN STATES. HE BELIEVES THERE IS SOME MERIT TO THE FMG'S CLAIM THAT NIGERIA IS UNDERBANKED, BASED ON THE LOCAL RESPONSE TO THE OPENING OF HIS BANK'S NEWEST RURAL BRANCHES. ALTHOUGH RURAL CUSERS RARELY APPLY FOR LOANS, THEY INVARIABLY FLOOD THE NEW BRANCHES WITH

DEPOSITS IN EARLY WEEKS OF OPERATION. THE MANAGER TRAVELS FREQUENTLY TO RURAL AREAS TO ENCOURAGE FARMERS TO MAKE USE OF NEW BANK FACILITIES; HE SAID IT WAS NOT UNUSUAL FOR RURAL DWELLERS TO BRING IN SAVINGS CACHED IN LARGE CLAY POTS THAT HAD BEEN PREVIOUSLY BURIED IN THE GROUND FOR SAFEKEEPING. MANY RURAL FARMERS HAVE NEVER KEPT RECORDS AND DO NOT KNOW HOW MUCH MONEY THEY HAVE UNTIL BANK EMPLOYEES COUNT IT FOR INITIAL DEPOSIT. THE BANKER DESCRIBED HIS INSTITUTION'S LONE BRANCH IN GONGOLA STATE, LOCATED IN THE CAPITAL CITY OF YOLA. THE BANK'S YOLA MANAGER REFUSES TO SOLICIT BORROWERS, SAYING THAT LOCALS ARE SUSPICIOUS OF ANY PERSON TOUTING "NOVEL" FINANCIAL ARRANGEMENTS. THE FULANI OF THE YOLA AREA HAVE A LONG TRADITION OF NOT BORROWING MONEY. HOWEVER, SOME HAVE DEPOSITED FUNDS IN THE BRANCH. ALTHOUGH BANKERS AGREED THAT THE DISSEMINATION OF BETTER INFORMATION ABOUT BANKING IN REMOTE AREAS WOULD GENERATE

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SUBJECT: NORTHERN ECONOMIC TRENDS: CAUTION REIGNS AFTER HIGHER RATES OF DEPOSIT AND BORROWING, THEY SAY IT WILL TAKE YEARS TO CHANGE DEEPLY-HELD TRADITIONAL BELIEFS.

AS IN OTHER PARTS OF NIGERIA, BANKS HAVE GREAT DIFFICULTY ATTRACTING LOYAL AND HONEST STAFFERS; ONE COMMERCIAL BANKER DESCRIBED FRAUD SCHEMES THAT HAD BEEN PERPETRATED, BOTH NORTH AND SOUTH, BY BANK EMPLOYEES.

22. PUBLIC RELATIONS FOR SAP: BANKERS, INVESTMENT ADVISORS AND OTHERS WHO WERE INTERVIEWED MENTIONED THE DEARTH OF ACCURATE AND TIMELY INFORMATION ABOUT NEW SAP INCENTIVES AND GOVERNMENT POLICIES THAT COULD HELP NORTHERN BUSINESSMEN TO EXPAND AND IMPROVE EFFICIENCY. ALL FELT THE FMG SHOULD DO MORE TO BRING THE STRUCTURAL ADJUSTMENT MESSAGE TO THE NORTH, WHERE IT IS INSUFFICIENTLY UNDERSTOOD. IN OTHER WORDS, THE GOVERNMENT HAS DONE A POOR JOB OF SELLING ITS NEW ECONOMIC REFORM PROGRAM TO THE PEOPLE. SEMINARS ORGANIZED BY FINANCIAL INSTITUTIONS ARE HELPFUL, BUT DRAW ONLY THE MOST FORWARD-LOOKING, CURIOUS AND INTERESTED ENTREPRENEURS. SELF-MADE BUSINESSMEN BELIEVE THE SEMINARS ARE DESIGNED FOR THE EDUCATED ELITE; THE FORMER MAY LACK SUFFICIENT EDUCATION TO READ BACKGROUND PAPERS AND FOLLOW TECHNICAL DISCUSSIONS. THUS, SOME OF THE WEALTHIEST NORTHERNERS ARE NOT HEARING ABOUT THE OPPORTUNITIES AND BENEFITS THEY COULD REAP FROM FMG REFORMS. MANY PROMINENT BUSINESSMEN ARE PROUD, SELF-MADE ENTREPRENEURS WHO HAVE PROSPERED FOR YEARS WITHOUT OUTSIDE ADVICE. FEW ARE RECEPTIVE TO THE GROUP INDOCTRINATION APPROACH AND NEW IDEAS MUST BE INTRODUCED TACTFULLY. ENTERPRISING BANKERS AND STOCKBROKERS CALL ON KEY, USUALLY WEALTHY BUSINESSMEN TO EXPLAIN NEW INCENTIVES AND SELL THEIR OWN SERVICES, BUT THEY ADMIT THESE EFFORTS ARE ONLY MEETING A SMALL FRACTION OF THE PERCEIVED DEMAND FOR OUTREACH AND INFORMATION. ONE STOCKBROKER AND INVESTMENT ADVISOR IS OPENING A LAGOS OFFICE TO BE CLOSER TO DEVELOPMENTS AS PRIVATIZATION AND DEBT/EQUITY SWAPS GET UNDERWAY. HE SAID HE HAD BECOME FRUSTRATED AT THE LACK OF FINANCIAL SOPHISTICATION

EXHIBITED BY HIS NORTHERN CLIENTS WHO DO NOT, TO DATE,
MAKE FULL USE OF HIS SERVICES.

ATTITUDES TOWARD PRIVATIZATION

23. CAUTIOUS REASSESSMENT: ALTHOUGH NORTHERN
BUSINESSMEN AND RETIRED MILITARY/CIVIL SERVANTS HAVE NOT
DEVELOPED A STRONG ENTHUSIASM FOR THE COMING
PRIVATIZATION EXERCISE, A NUMBER ARE SLOWLY REALIZING
ITS POTENTIAL BENEFITS. DISCUSSION WITH BANKERS,
FINANCIAL MANAGERS, INVESTMENT ADVISORS AND PARASTATAL
EXECUTIVES INDICATED A SLOW BUT ENCOURAGING CHANGE IN
ATTITUDE. SOME IN THE NORTH HAVE RESPONDED TO BLATANTLY
ETHNIC AND REGIONAL ARGUMENTS, E.G. THAT NORTHERN
INVESTORS MUST ACT DECISIVELY TO PURCHASE SHARES IN
PRIVATIZING PARASTATALS TO COMPETE EFFECTIVELY WITH
SOUTHERNERS/CHRISTIANS. IN FACT, ONE INVESTMENT
COUNSELOR TOLD ECONOFF HE COULD THINK OF NO OTHER WAY TO
APPEAL TO NORTHERN BUSINESSMEN TO SUPPORT PRIVATIZATION
FINANCIALLY; HE COULD NEITHER PREDICT NOR PROMISE A
RETURN ON THE ACTUAL INVESTMENTS THAT WOULD ATTRACT
SIGNIFICANT PARTICIPATION. AN OFFICIAL AT THE NORTHERN
NIGERIA DEVELOPMENT CORPORATION (NNDC) DETECTED A SLIGHT
SHIFT IN ATTITUDE AMONG INFLUENTIAL NORTHERNERS, BUT
SAID THE GOVERNMENT HAD WAITED TOO LONG TO PROVIDE
DETAILED INFORMATION ON MODALITIES TO EASE THE FEARS OF
INVESTORS. MANY IN THE NORTH, AS IN THE SOUTH, STILL
AWAIT THE FMG GUIDELINES ON PRIVATIZATION BEFORE MAKING
SPECIFIC INVESTMENT DECISIONS. STATE GOVERNMENTS ARE
POISED FOR ACTION: THE NEW KATSINA STATE HAS SET ASIDE
8 MILLION NAIRA TO INVEST IN PRIVATIZING ENTITIES.
NORTHERN BUSINESS OWNERS AND INDIVIDUALS ARE SLOWLY
BECOMING MORE APPRECIATIVE OF THE INTENT AND GOALS OF
THE PRIVATIZATION EXERCISE. THE STRONG NEGATIVE
REACTION TO PRIVATIZATION WAS AND IS BASED IN PART ON
LACK OF UNDERSTANDING AS TO ITS PURPOSE AND WHAT THE
TANGIBLE BENEFITS WOULD BE, NOT TO MENTION THE SUSPICION
THAT OTHER ETHNIC GROUPS WOULD GAIN INORDINATELY, AT
NORTHERN EXPENSE, FROM THE EXERCISE.

24. IF PRIVATIZATION IS OUT, TRY COMMERCIALIZATION: AT
~~CONFIDENTIAL~~ SECTION 08 OF 08 LAGOS 06237

LONDON FOR KOLKER

PARIS FOR POPE

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TAGS: EFIN, ECON, EINV, NI

SUBJECT: NORTHERN ECONOMIC TRENDS: CAUTION REIGNS AFTER
NNDC, ALTHOUGH COMPREHENSIVE PRIVATIZATION IS ON HOLD,
MANAGEMENT IS MOVING TOWARD PARTIAL COMMERCIALIZATION OF
SELECTED ENTERPRISES. MANAGERS REPORTEDLY WILL NOW
AVOID INVESTMENT IN VENTURES THAT HAVE NO HOPE OF
YIELDING A RETURN OVER TEN YEARS. NNDC IS TO SELL
SHARES IN ABOUT 25 ENTERPRISES IN THE NEXT YEAR AND IT
WILL TRY TO PUT MANY OF ITS OTHER COMPANIES ON A MORE
EFFICIENT, PARTIALLY-COMMERCIALIZED BASIS. THE PLANS
HAVE ENCOUNTERED RESISTANCE FROM INFLUENTIAL MEMBERS OF
THE NNDC BOARD AND FROM SENIOR CIVIL SERVANTS IN VARIOUS
NORTHERN STATE GOVERNMENTS, WHO CLING TO THE BELIEF THAT
NNDC SHOULD BE A NON-PROFIT, DEVELOPMENT ORGANIZATION
THAT EXISTS TO PROVIDE EMPLOYMENT OPPORTUNITIES IN POOR,
REMOTE AREAS (AND TO RELATIVES OF CIVIL SERVANTS AND
MILITARY OFFICERS). SECRETARIES TO STATE MILITARY
GOVERNMENTS (STATE-LEVEL EQUIVALENTS TO CHIEF OLU FALAE,

SECRETARY TO THE FMG) WERE SINGLED OUT FOR CRITICISM; MANY HAVE A STRONG BIAS AGAINST STRUCTURAL ADJUSTMENT REFORMS AND WIELD CONSIDERABLE INFLUENCE WITH STATE MILITARY GOVERNORS WHO ARE NOT ECONOMISTS.

CONCLUSIONS

25. IT IS DIFFICULT TO AVOID THE IMPRESSION THAT WHILE THE FMG HAS TAKEN GREAT STRIDES IN POLICY REFORM, THE MESSAGE OF STRUCTURAL ADJUSTMENT STILL FALLS ON DEAF EARS IN THE NORTH. ALTHOUGH THE AVOIDANCE OF NEW INVESTMENT AND RELUCTANCE TO ABANDON TRADING ARE BY NO MEANS UNIQUE TO NORTHERN NIGERIA, WE SENSE THAT LARGER, MORE SOPHISTICATED BUSINESS VENTURES IN THE SOUTH ARE BETTER POISED TO RESPOND CONSTRUCTIVELY TO THE NEW INCENTIVES OF THE PAST EIGHTEEN MONTHS. THE SENSE OF GREATER PROGRESS IN THE SOUTH IS ENHANCED BY THE STATUS OF LAGOS AS THE COUNTRY'S FINANCIAL NERVE CENTER. IN KADUNA AND KANO, GREAT WEALTH AND INFLUENCE MAY INDEED BE PRESENT BUT THEY ARE FAR LESS VISIBLE (OR ACTIVE). IT IS WELL KNOWN THAT NORTHERN ENTREPRENEURS HAVE CONSIDERABLE ASSETS TO INVEST, BUT THEY DO NOT RELISH THE ROLE OF PIONEER.

26. ONE KEY TO THE RELATIVE LACK OF ENTHUSIASM FOR SAP REFORMS IS THE STRONG NORTHERN SUSPICION THAT THE FEDERAL MILITARY GOVERNMENT MIGHT NOT BE IN POWER LONG ENOUGH TO SOLIDIFY THE ECONOMIC GAINS PROMISED BY STRUCTURAL ADJUSTMENT REFORMS. THE LACK OF FAITH IN NIGERIA'S POLITICAL STABILITY EXHIBITED IN INTERVIEW AFTER INTERVIEW HAS TRANSLATED INTO INORDINATELY CAUTIOUS ECONOMIC BEHAVIOR. NORTHERNERS WITH SIGNIFICANT ASSETS EVIDENTLY PREFER TO HOLD ONTO THEIR MONEY UNTIL THE ENVIRONMENT BECOMES MORE CONDUCTIVE TO INVESTMENT. THIS RISK-AVERSE BEHAVIOR IS AS MUCH A POLITICAL AS ECONOMIC STATEMENT IN A CITY SO HEAVILY POPULATED BY INFLUENTIAL RETIRED GENERALS AND CIVIL SERVANTS WHOSE OPINIONS--AND ECONOMIC ADVICE--ARE GREATLY RESPECTED BY PROMINENT BUSINESSMEN.

27. THE OFT-VOICED VIEW THAT THE PRESENT GOVERNMENT MAY NOT ENDURE IS LINKED TO A WISTFUL TENDENCY ON THE PART OF NORTHERNERS TO GAZE BACKWARD TOWARD MORE PROSPEROUS DAYS. MANY BUSINESSMEN VIEW THE SAP AS AN ABERRATION THAT WILL EVENTUALLY PASS JUST AS ALL OTHER ECONOMIC POLICIES SINCE 1979 HAVE EVENTUALLY GIVEN WAY TO NEW AZROACHES WITHOUT PROFOUNDLY ALTERING THE ECONOMIC BEHAVIOR OF MOST NIGERIANS. ALTHOUGH BANKERS, ESPECIALLY THOSE WHO HAVE WORKED OUTSIDE THE NORTH, ARE CONVINCED THAT STRUCTURAL ADJUSTMENT IS THE PATH TO AN IMPROVED NIGERIAN ECONOMY, MANY OTHERS VIEW SAP AS A TEMPORARY INCONVENIENCE. THEIR LIMITED PERCEPTION OF FMG REFORM GOALS DOES NOT BODE WELL FOR A COMPREHENSIVE RESTRUCTURING OF BUSINESS AND INVESTMENT BEHAVIOR IN THE NORTHERN STATES. KADUNA IS THE FINANCIAL CENTER OF THE NORTH, WHILE GREAT ENTREPRENEURIAL WEALTH IS CONCENTRATED IN KANO; IF BUSINESSMEN IN THESE TWO CITIES ARE NOT ADJUSTING THEIR BEHAVIOR TO FIT NEW INCENTIVES AND REFORM POLICIES, IT IS HIGHLY UNLIKELY THAT THEIR COUNTERPARTS IN BAUCHI, GONGOLA, KATSINA AND SOKOTO WILL DO SO. LYMAN

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256349	SUMMARY RE NIGERIA	1	5/4/1988	B1

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256350	SUMMARY RE NIGERIA	1	5/6/1988	B1

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256351	SUMMARY RE NIGERIA	2	5/10/1988	B1

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256352	SUMMARY RE NIGERIA	1	5/18/1988	B1

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<SUBJ>SUBJECT: NIGERIA: UPDATE ON RELIGIOUS POLITICS

<TEXT>

~~CONFIDENTIAL~~ SECTION 01 OF 04 LAGOS 08416

LONDON FOR KOLKER

PARIS FOR POPE

E.O. 12356: DECL: OADR

TAGS: KPRP PINR PGOV NI

SUBJECT: NIGERIA: UPDATE ON RELIGIOUS POLITICS

REF: (A) KADUNA 13, (B) KADUNA 23, (C) KADUNA 24,

- (D) KADUNA 33, (E) KADUNA 90, (F) LAGOS 857,

- (G) LAGOS 2350, (H) LAGOS 3035, (I) LAGOS 4892,

- (J) LAGOS 4555, (K) LAGOS 3472

1. (~~CONFIDENTIAL~~ ENTIRE TEXT)

~BEGIN SUMMARY~

2. SUMMARY: RELIGIOUS TENSION IN NIGERIA APPEARS AS HIGH AS IT HAS EVER BEEN, AND THE CALM AT PRESENT MAY BE MISLEADING. NOT ONLY ARE CHRISTIANS AND MUSLIMS MUTUALLY SUSPICIOUS AND HOSTILE, BUT, WITHIN EACH CAMP THERE ARE RIVALRIES AND FISSURES REFLECTING THE RAPID GROWTH OF FUNDAMENTALISM. SEEMINGLY SMALL EVENTS CAN TRIGGER VIOLENCE AMONG RELIGIOUS GROUPS. DESPITE EFFORTS BY THE FEDERAL MILITARY GOVERNMENT (FMG) AND ESTABLISHMENT RELIGIOUS LEADERS TO DEFUSE TENSION, NIGERIA'S TRANSITION TO THE RESTORATION OF CIVILIAN RULE PROVIDES POTENTIAL FLASHPOINTS FOR RELIGIOUSLY BASED VIOLENCE: THE ROLE OF SHARIA (ISLAMIC LAW) IN THE

~END SUMMARY~

CONSTITUTION, THE CENSUS (THE RESULTS OF WHICH WILL BE THE BASIS FOR CLAIMS FOR SPECIAL PRIVILEGE OR POWER), AND THE SERIES OF GOVERNMENT ELECTIONS, ESPECIALLY IF THEY ACQUIRE THE QUALITY OF A TEST OF STRENGTH BETWEEN THE TWO COMMUNITIES. IN THE TWO YEARS SINCE NIGERIA'S APPLICATION FOR MEMBERSHIP IN THE ORGANIZATION OF THE ISLAMIC CONFERENCE (OIC), RELIGION HAS BECOME A LARGER ELEMENT IN THE BALANCING ACT CARRIED OUT BY FMG TO MAINTAIN DOMESTIC STABILITY, EVEN SUPPLANTING ETHNICITY AND REGIONALISM TO SOME EXTENT. THIS REPORT HAS BEEN CLEARED BY CONGEN KADUNA AND FULFILLS ONE OF THE REQUIREMENTS OF THE LAGOS/KADUNA REPORTING PLAN. END SUMMARY.

BACKGROUND

3. DESPITE THE ABSENCE OF ANY MEANINGFUL STATISTICS, THERE ARE NUMEROUS SIGNS THAT CHRISTIAN AND ISLAMIC FUNDAMENTALISM IS GROWING RAPIDLY IN NIGERIA--AND THAT IS ALSO THE POPULAR PERCEPTION. AMONG THE CHRISTIANS, PENTECOSTAL AND NEW CHURCHES WITH A GREATER AFRICAN CHARACTER ARE WINNING CONVERTS PRIMARILY FROM THE TRADITIONAL RELIGIONS BUT ALSO FROM THE OLDER DENOMINATIONS. IN ISLAM, FUNDAMENTALIST SECTS, USUALLY HOME-GROWN BUT INCLUDING THE SHIITES, ARE PLAYING AN

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INCREASINGLY PROMINENT ROLE. THE GROWTH OF
FUNDAMENTALISM IS UNDERCUTTING THE POWER AND AUTHORITY
OF ESTABLISHMENT CHRISTIAN AND MUSLIM RELIGIOUS LEADERS.
4. IN JANUARY 1986, PRESIDENT BABANGIDA MADE PERHAPS
THE BIGGEST DOMESTIC, POLITICAL BLUNDER OF HIS
ADMINISTRATION: NIGERIA SURREPTITIOUSLY BECAME A FULL
MEMBER OF THE ORGANIZATION OF THE ISLAMIC CONFERENCE
(OIC). THE MOVE, WHICH MUSLIMS APPLAUDED AND CHRISTIANS
DENOUNCED AS A STEP TOWARD THE CREATION OF AN ISLAMIC
STATE, EXACERBATED AND FOCUSED TENSION BETWEEN THE TWO
RELIGIOUS COMMUNITIES, AND CAUSED SOME MUSLIMS AND
CHRISTIANS TO TALK SERIOUSLY FOR THE FIRST TIME SINCE
THE CIVIL WAR OF SPLITTING NIGERIA. THAT CRISIS, WHICH
THE GOVERNMENT SUBSEQUENTLY DEFUSED WITH A POLICY OF
DELIBERATE AMBIGUITY ABOUT NIGERIA'S STATUS IN THE
ORGANIZATION, MARKED RELIGION'S NEW SALIENCE IN
NIGERIA'S POLITICAL LIFE AND LED TO AN ARTIFICIAL AND
TEMPORARY DEGREE OF UNITY WITHIN EACH CAMP.

5. IN 1987, THERE WERE RELIGIOUS RIOTS IN KADUNA STATE,
INCLUDING CHURCH BURNINGS. THE CAUSES APPEAR TO HAVE
BEEN LOCAL, BUT, THE SUBSEQUENT INVESTIGATIONS BY THE
GOVERNMENT-APPOINTED KARIBI-WHYTE TRIBUNAL HAVE
SATISFIED NEITHER COMMUNITY. THE PATTERN OF RELIGIOUS
CONFLICT HAS CONTINUED IN 1988 IN THE SAME REGION,
THOUGH WITH LESS BLOODSHED. THERE HAS ALSO BEEN AN
UPSURGE OF CHRISTIAN MILITANCY IN THE MIDDLE BELT STATES
WHERE CHRISTIANITY AND ISLAM ARE ROUGHLY EQUAL IN
NUMBERS--AND THE FUNDAMENTALIST CHURCHES ARE THRIVING.
IN RESPONSE, WITHIN THE NIGERIAN POLITICAL ESTABLISHMENT,
THERE ARE EFFORTS ON ALL SIDES--CHRISTIAN, MUSLIM, AND
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LONDON FOR KOLKER

PARIS FOR POPE

E.O. 12356: DECL: OADR

TAGS: KPRP PINR PGOV NI

SUBJECT: NIGERIA: UPDATE ON RELIGIOUS POLITICS
GOVERNMENT--TO REDUCE RELIGIOUS TENSION WHICH CAN SO
QUICKLY LEAD TO VIOLENCE.

CAUTION

6. HENCE, ESTABLISHMENT CHRISTIAN LEADERS HAVE DRAWN
BACK FROM THEIR INITIAL DEMANDS THAT THE GOVERNMENT
CLARIFY NIGERIA'S OIC MEMBERSHIP STATUS, THEREBY
SIGNALLING THEIR ACCEPTANCE OF THE GOVERNMENT'S POLICY
OF AMBIGUITY THAT ALLOWS EACH COMMUNITY TO BELIEVE WHAT
IT WISHES. IN A MARCH CONVERSATION WITH POLOFFS, THE
CATHOLIC ARCHBISHOP OF KADUNA ACKNOWLEDGED THAT ANY
ATTEMPT TO CLARIFY NIGERIA'S MEMBERSHIP STATUS, SUCH AS
THE QUESTION OF WHETHER NIGERIA IS ELIGIBLE TO RECEIVE
LOANS FROM THE ISLAMIC DEVELOPMENT BANK--A PRECONDITION
IS MEMBERSHIP IN THE OIC--COULD REOPEN THE CONTROVERSY
IN A COUNTERPRODUCTIVE WAY.

7. BOTH CHRISTIAN AND MUSLIM ESTABLISHMENT LEADERS HAVE
ACCEPTED, WITH CONSIDERABLE RELUCTANCE, THE GOVERNMENT-
ORGANIZED ADVISORY COUNCIL OF RELIGIOUS AFFAIRS (ACRA)
WHICH IS DESIGNED TO SMOOTH RELATIONS BETWEEN THE TWO
RELIGIOUS GROUPS. ALTHOUGH NEITHER CHRISTIAN NOR MUSLIM
LEADERS HAVE MUCH HOPE THAT THE COUNCIL WILL HAVE A
POSITIVE IMPACT ON REDUCING TENSIONS, NEITHER GROUP IS
WILLING TO BE BLAMED FOR ACRA'S DEMISE. WITH THE
GOVERNMENT CALLING THE CHRISTIAN BLUFF BY ACCOMMODATING

DEMANDS FOR COUNCIL AUTONOMY, THE LATTER BY THEIR OWN. ADMISSION NOW HAVE LITTLE CHOICE BUT TO END THE BOYCOTT OF THE ORGANIZATION THEY INITIATED IN JANUARY. (AN ACRA MEETING DATE HAS STILL NOT BEEN SET, HOWEVER.)

FISSURES

8. THE AFTERMATH OF OIC MEMBERSHIP ISSUE ALONG WITH RELIGIOUS RIOTING AND CHURCH BURNINGS IN THE NORTH FOSTERED UNPRECEDENTED--BUT TEMPORARY--UNITY BETWEEN THE FUNDAMENTALISTS AND MAINLINE ELEMENTS IN THE CHRISTIAN CAMP. PROVOCATIVE STATEMENTS BY CERTAIN MUSLIM LEADERS, SUCH AS SHEIKH GUMI'S CONTENTION THAT MUSLIMS COULD NEVER VOTE FOR A CHRISTIAN NOR BE RULED BY ONE ALSO CONTRIBUTED. AT LEAST PARTLY AS A RESULT OF CHRISTIAN BLOC VOTING, IN DECEMBER A CHRISTIAN WAS ELECTED CHAIRMAN OF THE KADUNA CITY LOCAL GOVERNMENT AREA, TRADITIONALLY AN AREA OF MUSLIM PREDOMINANCE.

9. BUT UNITY WITHIN EITHER OF THE TWO RELIGIOUS CAMPS TENDS TO BE SUPERFICIAL AND TEMPORARY. OLD FISSURES RESURFACE QUICKLY--AND FUNDAMENTALIST MILITANCY ON BOTH SIDES MADE IT DIFFICULT FOR ESTABLISHMENT LEADERS TO KEEP CONTROL. THOUGH MUSLIMS WERE SURPRISED BY THE CHRISTIAN ELECTORAL VICTORIES IN KADUNA, IT IS DOUBTFUL THAT IF THE ELECTIONS WERE REPEATED TOMORROW, THE MUSLIM BROTHERHOODS, THE DARIKA, WOULD BE ANY MORE LIKELY TO JOIN FORCES WITH SHEIKH GUMI'S STRICT IZALA SECT THAN IN DECEMBER. A MUSLIM POLITICIAN WHO FAVORS NONSECTARIAN POLITICS TOLD POLOFFS IN MARCH THAT BECAUSE OF THE DISTRUST BETWEEN THE TWO GROUPS, DARIKA LEADERS ENCOURAGED THEIR FOLLOWERS TO VOTE FOR A CHRISTIAN IF THAT WAS THE ONLY ALTERNATIVE TO AN IZALA ADHERENT. EFFORTS TO PAPER OVER DEEP-SEATED DIFFERENCES--THE JANUARY RALLY IN KADUNA PROCLAIMED AS A SHOW OF MUSLIM UNITY, THE SIGNING OF AN AGREEMENT BETWEEN GUMI AND SHEIKH KABARA, A DARIKA LEADER--HAVE NOT BEEN SUCCESSFUL. ONE CHRISTIAN OBSERVER IN KADUNA TOLD POLOFF THAT THE JANUARY RALLY BROKE UP PRECIPITIOUSLY AFTER TWO HOURS BECAUSE THE TRADITIONAL MUSLIM LEADERSHIP WAS HAVING DIFFICULTY CONTROLLING A SHIITE GROUP BENT ON DISRUPTING THE OCCASION.

10. AMONG THE CHRISTIANS, AMBASSADOR JOLLY TANKO YUSUF, A MILITANT WHO IS A KEY ARCHITECT OF THE CHRISTIAN POLITICAL THRUST IN THE NORTH, HAS BROKEN WITH THE MORE MODERATE CHRISTIAN ASSOCIATION OF NIGERIA (CAN) OVER ITS RESPONSE TO THE ACRA. ALTHOUGH HIS COMPLAINTS ABOUT THE STRUCTURE AND ORGANIZATION OF ACRA DIFFER LITTLE FROM THOSE OF HIS MORE MODERATE CHRISTIAN COLLEAGUES WHO SHARE HIS SKEPTICISM OVER ITS ABILITY TO KEEP PEACE BETWEEN THE GROUPS, YUSUF BELIEVES HIS SOUTHERN

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COLLEAGUES FAIL TO UNDERSTAND WHAT THEY ARE UP AGAINST. HE ASKED POLOFF RHETORICALLY HOW HE COULD BE EXPECTED TO SIT DOWN TO DISCUSS AND COMPROMISE ON RELIGIOUS ISSUES WITH AN ISLAMIC MILITANT SUCH AS SHEIKH GUMI WHO DOES NOT BELIEVE IN THE UNITY OF NIGERIA. (GUMI HAS SAID, INTER ALIA, THAT IF A CHRISTIAN WERE ELECTED HEAD OF

STATE, MUSLIMS SHOULD WITHDRAW TO FORM THEIR OWN COUNTRY.) THE OTHER ELEVEN CHRISTIAN MEMBERS OF ACRA, MOST OF WHOM ARE BASED IN THE SOUTH, HAVE DEBATED AMONG THEMSELVES THE MERIT OF CONTINUED PARTICIPATION IN ACRA AND CONCLUDED THAT A UNITED FRONT IS BEST. FOR NOW, THEY BELIEVE THEY SHOULD STAY.

11. IN THE CHRISTIAN CAMP, THE FUNDAMENTALIST/MAINLINE FISSURE IS BY NO MEANS THE ONLY ONE. CATHOLIC ARCHBISHOP OF LAGOS OKOGIE SEEKS TO DISTANCE CATHOLICS FROM OTHER CHRISTIANS--AS WELL AS CHRISTIANS FROM MUSLIMS. OUTSPOKEN IN MANNER, HE WAS ELECTED IN MARCH PRESIDENT OF THE CATHOLIC BISHOPS' CONFERENCE FOR A THREE-YEAR TERM. HE APPEARS READY TO STEP UP PRESSURE ON THE GOVERNMENT TO HAVE IT GRANT EQUIVALENT STATUS NOT JUST TO CHRISTIANS AND MUSLIMS BUT TO CATHOLICS, PROTESTANTS, AND MUSLIMS. LE HAS ALREADY HAD ONE SMALL SUCCESS: PERMISSION FROM THE GOVERNMENT FOR THE CONSTRUCTION OF A CATHOLIC CHURCH AT LAGOS AIRPORT, NEXT TO THE MOSQUE, WITH A FUTURE SITE SET ASIDE FOR A PROTESTANT CHURCH. HE INSISTS THE CHRISTIAN ECUMENICAL CENTER IN ABUJA, THE NEW NATIONAL CAPITAL, HAVE TWO, SEPARATE CHAPELS, ONE PROTESTANT AND ONE CATHOLIC. HE IS SCATHING IN HIS PRIVATE REMARKS ABOUT PENTECOSTALS. OUTSIDERS

12. THE GROWTH OF FUNDAMENTALISM IN NIGERIA IS BOTH A CAUSE AND EFFECT OF OUTSIDE INTERVENTION. CHRISTIANS SEEK FINANCIAL SUPPORT FROM CO-RELIGIONISTS IN THE UNITED STATES; MUSLIMS RECEIVE FINANCIAL AID FROM THE MIDDLE EAST, ESPECIALLY SAUDI ARABIA; IRAN AND LIBYA APPEAR TO PROVIDE MORE LIMITED FUNDING. THE SIZE OF SUCH OUTSIDE FINANCIAL AID TO THE TWO COMMUNITIES IS NOT KNOWN. SHIITE MUSLIMS INFLUENCED BY KHOMEINI ARE SMALL IN NUMBER. BUT THEY ARE CONCENTRATED ON CERTAIN UNIVERSITY CAMPUSES IN THE NORTH (KADUNA, ZARIA, KATSINA, KANO) AND ARE WELL-POSITIONED FOR A MILITANT LEADERSHIP ROLE. SO, TOO, ARE CHRISTIAN MILITANTS, ESPECIALLY IN THE MIDDLE BELT. BOTH THE CHRISTIAN AND MUSLIM ESTABLISHMENTS ARE CONCERNED ABOUT THE MILITANTS WITHIN THEIR OWN RANKS AND THE ROLE PLAYED BY OUTSIDE FINANCIAL SUPPORT. HOWEVER, IT CANNOT BE RULED OUT THAT THEY MIGHT BE TEMPTED TO MAKE USE OF FUNDAMENTALIST MILITANCY UNDER CERTAIN CIRCUMSTANCES FOR THEIR OWN PURPOSES.

TRANSITION TO CIVILIAN RULE

13. THE LOCAL GOVERNMENT AREA ELECTIONS IN DECEMBER BECAME A RELIGIOUS CONTEST IN CERTAIN AREAS SUCH AS KADUNA. THE MARCH ELECTIONS IN LAGOS STATE HAD AN IMPORTANT "VOTE FOR JESUS" DIMENSION, AND THE CHRISTIANS CAPTURED SIX OF EIGHT MUNICIPAL COUNCILLOR SEATS, DESPITE LAGOS' LARGE ISLAMIC POPULATION. SHOULD THE TREND CONTINUE OF ELECTIONS ASSUMING THE CHARACTER OF A RELIGIOUS TEST OF STRENGTH, THERE IS THE REAL POSSIBILITY THAT SUBSEQUENT VOTING COULD INVOLVE VIOLENCE. ANY EXTENSION OF ISLAMIC TRADITIONAL LAW--THE SHARIA--HAS IMPORTANT, NEGATIVE SYMBOLIC VALUE TO THE CHRISTIANS WHO CAN BE COUNTED ON TO OPPOSE IT BY EVERY MEANS. THE UPCOMING CENSUS--WITH ALL THE POSSIBILITIES FOR FRAUD AND MISMANAGEMENT--IS BOUND TO FOCUS THE RIVALRY BETWEEN THE TWO COMMUNITIES, ESPECIALLY IF IT REVEALS A SUBSTANTIAL CHRISTIAN MAJORITY IN THE

COUNTRY.

CONCLUSION: GOVERNMENT CAUTION

14. EVENTS OF THE PAST TWO YEARS HAVE HEIGHTENED FMG AWARENESS OF RELIGION'S DESTABILIZING POTENTIAL AND THE NEED TO APPROACH CAUTIOUSLY ANY ISSUE HAVING SUCH A DIMENSION. IN MOST CASES, THIS HAS MEANT DELIBERATE AMBIGUITY, SUCH AS REFUSING TO CLARIFY NIGERIA'S STATUS

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WITHIN THE OIC. OR, IT HAS MEANT REFUSING TO BE DRAWN INTO A BUDDING CONFLICT ON EITHER SIDE. THE GOVERNMENT IS ALSO EMPHASIZING TO RELIGIOUS LEADERS THEIR RESPONSIBILITY FOR REDUCING TENSION. FOR EXAMPLE, PRESIDENT BABANGIDA, MARKING THE END OF RAMADAN ON MAY 15, URGED RELIGIOUS LEADERS TO WORK FOR NATIONAL UNITY AND MUTUAL RESPECT FOR RELIGIOUS BELIEFS. BUT, MILITANT MUSLIMS AND CHRISTIANS ARE UNLIKELY TO HEED SUCH CALLS.

15. SHOULD THERE BE WIDESPREAD RELIGIOUS VIOLENCE, THE MILITARY HAS THE PRESTIGE AND THE WILL TO STEP IN TO RESTORE ORDER--AT THE EXPENSE, IF NEED BE, OF PROGRESS TOWARD THE RESTORATION OF CIVILIAN RULE. AND RELIGIOUS VIOLENCE COULD PROVIDE THE OCCASION OR PRETEXT FOR MILITARY INTERVENTION IN THE FUTURE. UP UNTIL NOW, THE MILITARY HAS APPEARED TO BE THE NATIONAL INSTITUTION LEAST AFFECTED BY RELIGIOUS RIVALRY. THE BABANGIDA REGIME WORKS TO BALANCE THE RELIGIONS AND THE REGIONS IN THE MILITARY. NEVERTHELESS, HOW LONG THE MILITARY WILL REMAIN RELATIVELY IMMUNE TO RELIGIOUS TENSION AND THE GROWTH OF FUNDAMENTALISM IS AN OPEN QUESTION. WE ARE ALREADY HEARING THAT MIDDLE BELT CHRISTIANS (A GROUP KNOWN FOR THEIR MILITANCY) INCREASINGLY PREDOMINATE IN THE JUNIOR OFFICER CORPS.

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NATIONAL SECURITY COUNCIL
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PAGE 01

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FM AMEMBASSY LAGOS
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RUEHDT/USMISSION USUN NEW YORK 0783

<SUBJ>SUBJECT: NWACHUKWU CALLS FOR PRAGMATISM IN NIGERIA'S
- FOREIGN POLICY

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LIMITED OFFICIAL USE SECTION 01 OF 02 LAGOS 10041

E.O. 12356: N/A

TAGS: PINR, PGOV, NI

SUBJECT: NWACHUKWU CALLS FOR PRAGMATISM IN NIGERIA'S
- FOREIGN POLICY

>BEGIN SUMMARY<

1. SUMMARY: IN A JUNE 30 SPEECH AT THE NIGERIA INSTITUTE OF INTERNATIONAL RELATIONS, MINISTER OF EXTERNAL AFFAIRS IKE NWACHUKWU CALLED FOR THE COUPLING OF NIGERIA'S TRADITIONAL COMMITMENT TO AFRICAN POLITICAL LIBERATION WITH A MORE PRAGMATIC FOREIGN POLICY CHARACTERIZED BY GREATER ATTENTION TO ECONOMIC ISSUES. THE SPEECH IS THE MOST CONCRETE MANIFESTATION TO DATE OF NWACHUKWU'S MORE PRAGMATIC APPROACH TO NIGERIA'S FOREIGN RELATIONS. END SUMMARY.

>END SUMMARY<

2. IN A SPEECH DEVOID OF THIRD-WORLD RHETORIC, NWACHUKWU ARGUED THAT NIGERIA'S FOREIGN POLICY MUST REFLECT CURRENT ECONOMIC REALITIES AND FOCUS ON IMPROVED ECONOMIC COOPERATION AND DEVELOPMENT. HE ARGUED THAT A STRONG ECONOMY IS BASIC TO THE POWER AND NATIONAL INDEPENDENCE OF THE U.S. AND OTHER STATES. NIGERIA'S FOREIGN POLICY MUST COMPLEMENT THE FEDERAL MILITARY GOVERNMENT'S (FMG) EFFORTS TO RESTRUCTURE THE ECONOMY. TO THIS END, NWACHUKWU CALLED FOR GREATER COOPERATION WITH THE INDUSTRIALIZED "NORTH" WHILE MAINTAINING ITS TRADITIONAL LEADERSHIP ROLE IN THE DEVELOPING WORLD. HE REFERRED TO NEW DEVELOPMENTS SUCH AS THE GROWTH OF ECONOMIC INTEGRATION WITHIN THE EEC; NIGERIA MUST RESPOND TO THEM TO AVOID BEING "MARGINALIZED."

3. NWACHUKWU LAID OUT CERTAIN PRACTICAL STEPS NOW UNDERWAY TO REORIENT NIGERIA'S FOREIGN POLICY IS A MORE PRAGMATIC WAY. HE SAID THE ECONOMIC FUNCTION AND DIMENSION WOULD BE STRENGTHENED WITHIN THE MINISTRY OF EXTERNAL AFFAIRS (MEA), THOUGH HE PROVIDED NO DETAILS. HIS MINISTRY IS IN THE PROCESS OF DEVELOPING A LIST OF NIGERIAN BUSINESSES PRESENTLY OPERATING INTERNATIONALLY AS A STEP TO REDUCE FRAUD AND ADDRESS INTERNATIONAL COMPLAINTS. NIGERIA IS ABOLISHING VISAS FOR COMMONWEALTH AND AFRICAN VISITORS ON A RECIPROCAL BASIS TO ENCOURAGE BUSINESS TRAVEL.

4. WITH RESPECT TO AFRICAN DEBT, NWACHUKWU CALLED FOR CLOSER COOPERATION WITH THE WORLD BANK AND OTHER INTERNATIONAL FINANCIAL AGENCIES. DURING THE QUESTION

AND ANSWER PERIOD WHICH FOLLOWED, HE INSISTED ON THE NEED FOR NIGERIA TO CONTINUE TO TRY TO PAY ITS DEBTS; IT IS A MATTER OF INTERNATIONAL CREDIBILITY AND "NATIONAL PRIDE."

5. NWACHUKWU CALLED FOR A CLOSER PARTNERSHIP WITH THE PRIVATE SECTOR WITH RESPECT TO FOREIGN POLICY. THE FMG MUST TAKE THE PRIVATE SECTOR INTO ITS CONFIDENCE. HE PROMISED TO INCLUDE PRIVATE BUSINESSMEN IN HIS DELEGATIONS TO BILATERAL TALKS, AS HE DID IN LONDON EARLIER IN THE SPRING. THE PRIVATE SECTOR SHOULD ALSO SUPPORT VIGOROUSLY AN FMG PROGRAM TO MAKE NIGERIAN

CULTURE--DANCE, PLASTIC ARTS, DRAMA--BETTER KNOWN INTERNATIONALLY. IN THIS CONTEXT, HE MENTIONED THE EFFECTIVENESS OF USIS, THE BRITISH COUNCIL, GOETHE INSTITUTE, AND ALLIANCE FRANCAISE. HE ALSO URGED NIGERIA TO ACCORD GREATER PRIORITY TO THE "BLACK DIASPORA" OUTSIDE AFRICA.

6. NWACHUKWU'S SPEECH ALSO INCLUDED THE STANDARD THEMES: DENUNCIATION OF SOUTH AFRICAN APARTHEID AND AGGRESSION AGAINST ITS NEIGHBORS, A CALL FOR THE INDEPENDENCE OF NAMIBIA, AND SUPPORT FOR THE LUANDA REGIME IN ANGOLA. BUT, WITH RESPECT TO THE OAU, HE SAID GREATER EFFORTS MUST BE DEVOTED TO EFFECTIVE IMPLEMENTATION OF ITS GOALS--RATHER THAN MORE RHETORIC.

7. WHILE CONGRATULATING THE U.S. AND THE USSR ON PROGRESS TOWARD ARMS CONTROL, HE LAMENTED THAT SUMS SPENT ON THE ARMS RACE HAVE NOT BEEN USED FOR INTERNATIONAL ECONOMIC DEVELOPMENT. HE PRAISED PRESIDENT REAGAN'S CHAMPIONSHIP OF HUMAN RIGHTS ISSUES AND SPECIFICALLY NOTED THE LATTER'S LONDON SPEECH.

8. COMMENT: NWACHUKWU'S PERFORMANCE WAS IMPRESSIVE. THE SUBSTANCE OF HIS SPEECH GOES MUCH FURTHER TOWARD A MORE PRAGMATIC AND PRODUCTIVE NIGERIAN FOREIGN POLICY THAN ANYTHING WE HAVE HEARD TO DATE--IT IS A STRIKING CONTRAST TO THE STRIDENT, THIRD-WORLD RHETORIC OF HIS PREDECESSOR AS FOREIGN MINISTER, AKINYEMI. HOWEVER, HE

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SUBJECT: NWACHUKWU CALLS FOR PRAGMATISM IN NIGERIA'S
- FOREIGN POLICY

HAS NOT YET MADE MUCH VISIBLE PROGRESS IN IMPOSING HIS PRAGMATISM ON THE DAY-TO-DAY ACTIVITIES OF MEA.
LYMAN

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PAGE 01 OF 02

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<SUBJ> SUBJECT: BABANGIDA ON ECONOMY, BILATERAL RELATIONS
~~CONFIDENTIAL~~ SECTION 01 OF 02 LAGOS 10142
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E.O. 12356: DECL

TAGS: PREL, NI

SUBJECT: BABANGIDA ON ECONOMY, BILATERAL RELATIONS

1. CONFIDENTIAL - ENTIRE TEXT.

>BEGIN SUMMARY<

2. SUMMARY. IN MEETING JULY 4, PRESIDENT BABANGIDA REITERATED FEELINGS OF STRONG FRIENDSHIP WITH US AND GREAT SATISFACTION WITH ROLE OF US IN NIGERIA. HE EXPRESSED GRAVE CONCERN ABOUT ECONOMY, INCLUDING STATE OF RELATIONS WITH IMF AND IBRD. HE IS LOOKING AT "WORST CASE SCENARIO", I.E. THAT NIGERIA MAY BE LEFT WITH NO/NO INTERNATIONAL FINANCIAL SUPPORT THIS YEAR. HE HAS WRITTEN TO IBRD PRESIDENT CONABLE REITERATING STRONG COMMITMENT TO SAP BUT ASKING FOR UNDERSTANDING OF THE NEED FOR CAREFUL TIMING OF SUCH STEPS AS LIFTING OF SUBSIDIES AND OTHER MEASURES. "DO THEY WANT TO SEE TURMOIL IN NIGERIA?" HE ASKED. HE SHOWED HIMSELF UP TO DATE ON SCHEDULE FOR IMF TEAM VISITS, BUT EXPRESSED FRUSTRATION OVER COMMUNICATION GAPS BETWEEN THE "UPPER" AND "WORKING" LEVELS. AMBASSADOR POINTED OUT THAT A SITUATION IN WHICH NIGERIA FAILED TO COME TO AGREEMENT WITH THE INTERNATIONAL COMMUNITY WOULD HURT NIGERIA'S CREDIBILITY FOR SOME TIME TO COME. AMBASSADOR STRESSED THE IMPORTANCE OF ORGANIZED AND HIGH LEVEL PRESENTATIONS TO VISITING TEAMS (WHICH HAD NOT/NOT OCCURRED WITH LAST IMF TEAM). BABANGIDA CLAIMED FMG HAD COMPREHENSIVE APPROACH FOR MANAGING THE SEVERAL ISSUES OF BUDGET, DEFICIT, AND EXCHANGE RATES, BUT HE DID NOT/NOT ELABORATE. AMBASSADOR CLOSED BY STRESSING IMPORTANCE OF ADEQUATE AND HIGH LEVEL COMMUNICATION WITH INTERNATIONAL COMMUNITY, ESPECIALLY NIGERIA'S FRIENDS. END SUMMARY.

>END SUMMARY<

3. MEETING TOOK PLACE AT AMBASSADOR'S REQUEST TO REVIEW VARIOUS MATTERS PRIOR TO AMBASSADOR'S CONSULTATIONS IN WASHINGTON. MEETING ALLOWED AMBASSADOR TO BRIEF BABANGIDA ON IRAN PLANE INCIDENT (SEPTEL). OTHER TOPICS COVERED WERE BILATERAL RELATIONS, ECONOMY, LIBYA TRIP (SEPTEL), AND ANGOLA/NAMIBIA (SEPTEL). COORDINATOR OF NATIONAL SECURITY, BRIGADIER ALIYU MOHAMMED (WHO HAD SET UP MEETING), ATTENDED AND TOOK NOTES.

4. BILATERAL RELATIONS. AMBASSADOR BEGAN BY CITING REASONS FOR US "UNHAPPINESS" IN RELATIONS LATELY. AMBASSADOR STRESSED THAT WE CONSIDERED NIGERIA-US RELATIONS TO BE EXCEPTIONALLY GOOD, PERHAPS BETTER THAN

AT ANY TIME IN THE RECENT PAST. THE US REMAINED STRONGLY IN SUPPORT OF BABANGIDA'S PROGRAMS FOR THE ECONOMY AND RETURN TO CIVILIAN RULE, BELIEVING THEY WERE THE BEST SOLUTION TO NIGERIA'S PROBLEMS. WE ENDEAVORED TO BE SUPPORTIVE, E.G. IN RESPONSE TO TOXIC WASTE PROBLEM, REOPENING OF EX-IM, ETC. HOWEVER, WE FOUND OUR TWO COUNTRIES DRIFTING LATELY, NOT/NOT COMMUNICATING AS WELL AS WE NEEDED TO, AND THIS CREATED CONFUSION IN WASHINGTON AND CONCERN. AMBASSADOR SAID THAT IN HIS LAST TWO CONSULTATIONS, HE ENCOUNTERED A DECLINE IN NIGERIA'S STATURE WITHIN THE INTERNATIONAL

FINANCIAL COMMUNITY. HE EXPECTED MORE OF THE SAME DURING THIS UPCOMING CONSULTATION. THIS WAS NOT/NOT, THEREFORE, A TIME FOR NIGERIA TO GO OFF WASHINGTON'S RADAR SCREEN. FOR NIGERIA'S FRIENDS TO BE HELPFUL, WE NEEDED TO BE IN A POSITION TO UNDERSTAND FMG'S PLANS AND INTENTIONS. THIS INCLUDED BEING ABLE TO HAVE THE PRESIDENTS' OWN VIEWS. AMBASSADOR CONCLUDED BY PRAISING APPOINTMENT OF MINISTER OF EXTERNAL AFFAIRS NWACHUKWU, AND HIS SPEECH OF JULY 1 (SEPTEL).

5. BABANGIDA RESPONDED BY SAYING THAT HE VALUED HIGHLY THE STRONG RELATIONSHIP WITH THE US. HE HAD NO/NO PROBLEMS IN THAT RELATIONSHIP AND WAS HIGHLY SATISFIED WITH THE PERFORMANCE OF THE AMBASSADOR AND THE EMBASSY. HE KNEW THE US WAS BEING SUPPORTIVE AND HE APPRECIATED IT. AMBASSADOR THEN PROPOSED THREE TOPICS: (A) THE ECONOMY, (B) LIBYA, AND (C) ANGOLA. BABANGIDA CHOSE THE ECONOMY FIRST BECAUSE HE SAID IT WAS THE MAJOR PROBLEM FOR HIM.

6. ECONOMY. AMBASSADOR BRIEFLY REVIEWED STATE OF ECONOMIC ISSUES. EVERYONE UNDERSTOOD NIGERIA FACED HARD CHOICES, WITH SOFT OIL PRICES, POLITICAL RESISTANCE TO PETROLEUM PRICE HIKES, AND DESIRE TO REFLATE THE ECONOMY. NEVERTHELESS, PROBLEMS HAD ARISEN WITH BUDGET DEFICITS, THE SPREAD IN THE EXCHANGE RATES, AND THE PROSPECTS FOR CONTROLLING EXPENDITURES. WHAT NIGERIA'S FRIENDS WERE LOOKING FOR WAS NIGERIA'S STRATEGY FOR DEALING WITH THIS. IBRD, WITH JAPANESE ~~CONFIDENTIAL~~ SECTION 02 OF 02 LAGOS 10142

E.O. 12356: DECL

TAGS: PREL, NI

SUBJECT: BABANGIDA ON ECONOMY, BILATERAL RELATIONS
 HELP (AND ENCOURAGED BY US) HAD MOBILIZED \$800 MILLION IN BALANCE OF PAYMENTS SUPPORT FOR 1988, BUT NEGOTIATIONS WERE SO DELAYED THAT IT WAS UNLIKELY THAT FULL AMOUNT COULD ANY LONGER BE DISBURSED THIS YEAR. DEBT RESCHEDULING WAS NEEDED, BUT THIS TOO HAS BEEN DELAYED.

7. BABANGIDA RESPONDED THAT HE WAS DISCOURAGED OVER THE STATE OF NEGOTIATIONS WITH THE IBRD/IMF. HE SAID, SPEAKING FRANKLY, HE HAD BEEN LOOKING HARD AT WHAT HE CALLED THE "WORST CASE SCENARIO", I.E. THAT NIGERIA WOULD NOT GET ANY HELP FROM THE INTERNATIONAL COMMUNITY THIS YEAR. HE WAS AWARE THAT AN IMF TEAM WAS COMING IN JULY AND THIS WOULD BE A CRUCIAL VISIT. HE SAID HE HAD WRITTEN TO IBRD PRESIDENT CONABLE REITERATING NIGERIA'S COMMITMENT TO SAP AND ASKING FOR UNDERSTANDING ABOUT THE DIFFICULT CHOICES NIGERIA FACED THIS YEAR. HE SAID CONABLE HAD RESPONDED FAVORABLY. BUT HE QUESTIONED THE GAP BETWEEN THE UPPER AND WORKING LEVELS OF THE IFIS.

HE ASKED, "DO THEY WANT TURMOIL IN NIGERIA?" HE KNEW THE US DID NOT, BUT HE WONDERED IF THE IFI'S WERE AS SENSITIVE. HE ASSURED AMBASSADOR THAT FMG WAS PREPARED TO ADDRESS EFFECTIVELY THE DEFICIT, EXCHANGE RATE, AND BUDGET ISSUES.

8. AMBASSADOR SAID WHAT BABANGIDA CALLED THE "WORST CASE SCENARIO" WAS KNOWN AS THE "MUDDLE THROUGH" SCENARIO IN WASHINGTON (I.E., THAT NIGERIA RECEIVES NO/NO HELP BUT BALANCES THE BOOKS BY NOT/NOT PAYING ITS DEBTS). THE FIGURES MIGHT ADD, BUT THE NET EFFECT WOULD BE TO LOWER NIGERIA'S CREDIBILITY WITH THE INTERNATIONAL FINANCIAL COMMUNITY FOR YEARS TO COME. AMBASSADOR SAID THE CARE AND FEEDING OF IFI TEAMS WAS AN "ART" AND TOOK CAREFUL MANAGEMENT. HE NOTED THAT THE LAST IMF TEAM HAD SEEN NEITHER THE MINISTER OF FINANCE NOR THE CBN GOVERNOR. THIS UNDERCUT THE POSITIVE EFFECT OF THE EARLIER IBRD TEAM. MOREOVER, THE IMF TEAM LEADER WAS NEW TO THE NIGERIAN ACCOUNT (BABANGIDA KNEW THIS TOO) AND NEEDED CAREFUL ATTENTION. AMBASSADOR STRESSED THE IMPORTANCE OF THE

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NATIONAL SECURITY COUNCIL

John Tucke

456-6594

Nigeria - State Dept

Donald Hester

647-3406

(He called this a.m.)

Cohen needs to decide on
luncheon group and let
Russell's office know.

Deberstein's Je has also
inquired. I told them we
would advise after NJC's
return.

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~~COHEN~~
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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

July 29, 1988

ACTION

MEMORANDUM FOR COLIN L. POWELL

Natl Sec Advisor
has seen

FROM: HERMAN J. COHEN *HJC*

SUBJECT: Visit in October of Nigerian Presidential
Chief of Staff, Chief Olu Falae

Chief Olu Falae is the Nigerian equivalent of Ken Duberstein. His official title is Secretary to the Military Government. He would like to come to the United States under USIA auspices to learn about our country. He would like to visit the White House to compare notes on chief of staff operations.

Ambassador Lyman in Lagos considers Falae to be among the top five influential people in Nigeria. He recommends that we pay a little attention to him at the White House level.

What I propose is that he pay a long call on Howard Baker if he is in town, and a short call on Ken Duberstein or M. B. Oglesby. In view of his importance in Africa's most important country, I propose that you host a small lunch for him the week of October 3-7. Biographic information is at Tab I.

RECOMMENDATION

That you agree to host a lunch for Chief Falae on ~~any day the week of~~ October 3, 1988.

Approve *[initials]* Disapprove _____

Attachment

Tab I Biographic Data

*Nigerian
amb.*

*Falae
ahmadu
assistant*

*HJC
John Tuck-
Duberstein
Powell*

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Sec. 3.4(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2008
BY NARA *LM*, DATE *3/7/24*

~~CONFIDENTIAL~~

*11:15
Robert From*

Naval staff. Often referred to as "The Headmaster" in his carrot and stick dealings with the press.

BALI

Simple, unassuming and easy going officer and gentleman. Perhaps the oldest serving officer of the Nigerian Army. Born February 27, 1940. Joined the army in April 1961 and fought gallantly in the Nigerian civil war. Powerful link to the large corp of middle belt officers variously called the Langtang "mafia." Has the president's respect and confidence and lately survived surgery in West Germany.



Lt Gen Domkat Ball

FALAE

Pragmatic technocrat who has won the converted position of "Chief of Staff on SAP affairs." Admired by the President for his clarity, sense of purpose and his ability to simplify for better understanding, cumbersome economic statistics and details.

A former federal permanent secretary and later Managing Director of the Nigerian Merchant Bank. Falae will be 60 on the 21st of September. He is a graduate of the University of Ibadan and Yale University, Connecticut USA.



Chief Olu Falae

Vice Admiral Augustus Alkhomu

Alhaji Abubakar Alhaji



Maryam Babangida.

MARYAM

Sleek, tall, gazelle and dark complexioned real love of the President. Perhaps the most glamorous First Lady since independence now leading the crusade to emancipate rural women, because of her ability to get what she wants from her husband she is often referred to as Babangida's only weakness (aside from the children) for whom the toothy smile is for real.

AKILU

The power behind. Head of the powerful Directorate of Military Intelligence and watchdog of the army. A position once held by the late Major Kaduna Nzeogwu and the undercover Brigadier Aliyu Mohammed. Akilu was born 2nd November 1947 in Madobi, Kura Local Government Area of Kano State. Joined the Army in 1967 as cadet officer at Nigerian Defence Academy (NDA) Kaduna. Wounded during the Nigerian civil war in 1969 and commanded troops that overran the notorious Kano Maitatsine religious riot. His greatest regret is being linked with the death of slain editor-in-chief of NEWSWATCH, Dele Giwa, for what he sees as his genuine attempt to woo the press for government. His optimism and prayer is to see "stability in great country."



Col Hallu Akilu

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INCOMING 37

DEPARTMENT OF STATE
AFRICAN AFFAIRS

L. Rouley

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E. O. 12356: N/A
TAGS: OVIP (FALE, SAMUEL O. (CHIEF)) NI
SUBJECT: OFFICIAL-INFORMAL: CHIEF FALAE BIO

REF: STATE 282470

THERE FOLLOWS BRIEF BIO DATA ON CHIEF SAMUEL OLU FALAE,
SECRETARY TO THE FEDERAL MILITARY GOVERNMENT (FMG),
ADDRESSED AS "CHIEF FALAE":

- AN ECONOMIST, FALAE WAS INVITED TO JOIN THE FMG IN
1986. HE HAS BEEN DESCRIBED AS A COMPETENT, NO-NONSENSE
EXECUTIVE WHO IS RESPECTED BY HIS COLLEAGUES. THE
PRESIDENT'S POINTMAN, HIS TASK IS TO ENSURE THE IMPLE-
MENTATION OF FMG POLICIES, SPECIFICALLY THOSE HAVING
TO DO WITH THE BUDGET AND THE STRUCTURAL ADJUSTMENT
PROGRAM (SAP).

- FALAE SERVED IN THE CIVIL SERVICE FOR EIGHTEEN YEARS,
FIVE OF THEM AS PERMANENT SECRETARY IN CHARGE OF THE
ECONOMIC DEPARTMENT OF THE CABINET OFFICE (1975-80),
BEFORE RETIRING AND GOING TO WORK FOR THE NIGERIAN
MERCHANT BANK AS MANAGING DIRECTOR AND CHIEF EXECUTIVE.

- FALAE HOLDS A B. SC. DEGREE IN ECONOMICS FROM THE
UNIVERSITY OF IBADAN, AND LATER DID GRADUATE WORK AT
YALE. HE SERVED AS PLANNING OFFICER ON THE NATIONAL
MANPOWER BOARD IN LAGOS FROM 1963-67, AND IN THAT
CAPACITY PARTICIPATED IN A USAID MANPOWER PLANNING COURSE
IN THE UNITED STATES IN 1967.

- FALAE IS 49 YEARS OLD, AND IS FROM AKURE, IN ONDO
STATE. HE AND HIS WIFE, OLATUNBOSUN, HAVE SIX CHILDREN.
BLAKEMORE

(YORUBA)

UNCLASSIFIED

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506
October 7, 1988

ACTION

MEMORANDUM FOR COLIN L. POWELL

FROM: HERMAN J. COHEN

SUBJECT: Lunch with Chief Falae of Nigeria;
October 12, 1988

You have agreed to host a lunch in your office for Chief Falae of Nigeria on October 12, 1988. Chief Falae is roughly the equivalent of Ken Duberstein in Nigeria's Dodon Barracks, President Babangida's office complex.

Falae's visit is mainly for the purpose of studying how the White House is organized to support the President. United States practices and methods have always fascinated the Nigerians. For example, they copied many elements of the U.S. Constitution when they first went to civilian rule in the late 1970s. General Babangida is now engaged in a process of returning to civilian rule a second time.

A visitor of Falae's stature inevitably will talk about substantive issues despite the educational reason for his visit. I am therefore enclosing a background paper and talking points reflecting those issues which are currently important between Nigeria and the United States.

I recommend that the main point you should stress when you get into foreign policy issues is the importance of Nigeria's getting involved in the national reconciliation in Angola. Africa's most powerful black-ruled nation should lend its weight to finding a solution to this crucial internal conflict which is so important for the future of all southern Africa. If Falae says that the Angola conflict can be settled the same way as the Biafra conflict in Nigeria, you should disagree. Biafra was defeated on the battlefield, and Nigeria's amnesty program was appropriate and effective. In Angola, Savimbi and UNITA have not been defeated, and cannot be defeated. A negotiated solution is therefore the only way to end the conflict.

Attachments

Tab A Background paper
Tab B Talking Points
Tab C Biographic Sketch
Tab D Participants Meeting

~~CONFIDENTIAL~~

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Authority NSC/DOS WAIVERS
BY LJM 3/7/24

CONFIDENTIAL

BRIEFING MEMORANDUM/TALKING POINTS FOR MEETINGS OF MESSRS.
TUCK, DUBERSTEIN AND POWELL WITH CHIEF FALAE OF NIGERIA,
WHITE HOUSE, OCTOBER 11, 1988

PURPOSE OF FALAE VISIT AND US INTEREST

Chief Samuel Olu Falae (Phon: FA-lyeh), Secretary to the Federal Military Government (FMG) of Nigeria, will make an official visit to the United States, October 10 - 20, 1988. He will be accompanied to the White House by his assistant Olusola Dada and Nigerian Ambassador Hamzat Ahmadu (Falae and Ahmadu bios attached). He also will meet with State, Treasury, Eximbank, and IMF/IBRD as well as visit Houston and New York. Falae is a highly influential figure in Nigeria's government and performs many functions similar to those of the White House Chief of Staff. He has played a key role in formulating and executing Nigeria's economic reforms and is responsible for the FMG's program to return to civilian rule in 1992, including the sensitive task of conducting Nigeria's first successful census in over 20 years. Partly US-educated (Master's Degree, Yale) and with experience as a senior public servant and banking executive, Falae enjoys President Babangida's full confidence and is a key Embassy interlocutor on economic and political issues.

Since Nigeria's federal government takes inspiration from that of the United States, Falae is interested in how the US system works at the senior level. He is particularly interested in the management of the Executive Office of the President, i.e.: organizing business and providing the President with relevant information and material for decisions; management of relations with the Congress; White House relations with the State and Defense Departments; the relationship between the White House Chief of Staff and the Assistant to the President for National Security Affairs; coordination within the Executive Branch, as well as between the Federal and State Governments; White House press operations; and the White House personnel system.

US-NIGERIAN RELATIONS

Stronger but Sensitive. Nigerian President Lt. General Ibrahim B. Babangida professes to value a strong relationship with the United States. External Affairs Minister Nwachukwu had useful exchanges in New York with President Reagan at his reception on September 26 and with Secretary Shultz during their meeting on September 28. These contacts focused primarily on the situation in southern Africa, but also touched on bilateral concerns, including US support for Nigeria's Structural Adjustment Program (SAP).

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DECL: OADR

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BY AM NARA DATE 3/7/24

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- 2 -

The relationship tends to be one-sided, however, with the USG responding to Nigerian concerns (e.g., advice on toxic waste removal, restored EX-IM medium-term cover, reassuring Equatorial Guinea about Nigerian intentions) while the USG feels (and has complained) that Nigeria does not give similar attention to US concerns (e.g., UNHRC Cuba resolution, Babangida's May visit to Tripoli).

Importance of Nigeria. Nigeria is a major actor in Africa (one-quarter of sub-Saharan Africa's population), the fifth largest US supplier of oil, President of OPEC and an important potential market. It is inherently unstable, however, with deep ethnic, regional and religious divisions which must be factored into government decision-making. The key constituency, the military, remains solidly behind cautious, consensus-oriented President Babangida. His government came to power in a bloodless military coup in August 1985, replacing another military government with a relatively poor human rights record. Although the military has ruled Nigeria for 18 of the 28 years since independence, there is a national consensus in favor of democratic institutions. Babangida's military government has a well-thought out program to return Nigeria to civilian rule in 1992, with partisan politics to begin in 1989.

Economic Ties. In response to Nigerian desires, the USG has offered to reinstitute periodic economic bilateral discussions at the Under Secretary level. Nigeria, however, continues to ban rice, corn, and wheat imports (the latter two traditionally the largest US exports to Nigeria). The new US trade act signals increased concern about countries which discriminate against US goods. The United States is Nigeria's best customer, taking nearly half of Nigeria's exports, mostly oil, to the tune of about \$3 billion a year.

Narcotics Cooperation. US-Nigerian cooperation in combatting international narcotics trafficking is growing. The USG is sending a delegation to Lagos on October 17 to continue discussion of a Mutual Legal Assistance Treaty initiated by an executive agreement on increasing law enforcement cooperation signed by Nigerian Minister of Justice Ajibola and Attorney General Meese in November 1987.

Toxic Waste. The rapid and effective US response in June to Nigeria's request for advice in handling an unauthorized disposal of toxic waste on the Nigerian coast was greatly appreciated by the FMG. Once more details are available on the FMG's desire to develop a UN resolution on international shipments of toxic waste, the USG may wish to work with it to develop a resolution which the United States can support.

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~~CONFIDENTIAL~~

- 3 -

ECONOMIC REFORM

Problems Despite Progress. Nigeria's ambitious SAP has increased agricultural production and non-oil exports, devalued the naira by 75 percent in two years, and initiated privatization/commercialization of public sector enterprises and debt-equity swaps. The FMG is facing serious problems, however, from sagging petroleum prices and inadequately controlled public expenses, and is interfering with exchange rates in a non-productive way. Real economic activity was stagnant in 1987 but is expected to expand by 4 percent in 1988 as the economy slowly shifts from trade to production. The FMG has kept public discontent with aspects of the SAP under control, but the success or failure of the SAP will have a major influence on government plans for return to civilian rule. A reflationary budget in early 1988 relaxed monetary restrictions but has complicated reaching IMF/IBRD agreements. Economic prospects for 1988-89 are nevertheless brighter as a result of expectations for a good harvest this fall despite serious flooding in some areas. Per capital income equaled \$220 in 1987 down significantly in recent years from the drop in oil production revenues.

Desire for Foreign Support. Babangida has expressed disappointment with the limited amount of foreign debt relief and other donor support for Nigeria's SAP. The World Bank declared Nigeria IDA eligible on September 23, thus giving the FMG the right to draw \$80 million in concessional financing each year. Nigeria, however, will be treated as one of eight "blended countries" which are not eligible for Paris Club rescheduling on as favorable terms as the poorest of the poor countries.

Falae Likely To Encourage Increased US Support. The FMG has already asked the USG to support rescheduling of Nigeria's moratorium interest (i.e, already rescheduled interest totaling \$700-1000 million) by the Paris Club later this year to help bridge its financing gap. Assuming this burden will be difficult for the USG and other governments because Nigeria has received no new funds from the London Club and has refused to draw IMF stand-by funds to avoid the political cost of appearing dependent. On the other hand, because Nigeria receives almost no concessional aid, debt rescheduling is the most important form of help for its balance of payments problems, and the critical vehicle for US support of SAP. In 1988 Nigerian debt service obligations total \$5.8 billion, roughly 85 percent of projected export receipts, even though Babangida wishes to limit service payments to 30 percent. Debt service after rescheduling will approximate one-third of Nigeria's receipts.

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The Government is close to agreement with the IMF on a new stand-by arrangement. Agreement with the IBRD on a \$500 million trade policy loan is expected this Fall, and there is likelihood of \$200 million in Japanese cofinancing as well. An extraordinarily successful OPIC mission in January 1988 and Eximbank's June reopening of medium-term cover provide a foundation for expanded American involvement in the economy. Nigeria received approximately \$14 million for health and population projects funded through regional AID programs in FY-88.

NIGERIAN FOREIGN POLICY

Enhanced Economic Dimension. Falae can be expected to reinforce External Affairs Minister Nwachukwu's desire to strengthen Nigerian economic diplomacy, including greater donor and creditor support and more private foreign investment.

Angola/Namibia/South Africa. President Babangida indicated to Assistant Secretary Crocker on September 30 renewed Nigerian support for Angolan national reconciliation, but it remains to be demonstrated how far Nigeria will go on its behalf. Foreign Minister Nwachukwu has been wary of Nigeria becoming involved in national reconciliation because of feared domestic reaction and his tendency to see Angola (erroneously) in terms of Nigeria's civil war experience where the "rebel" leader accepted exile as the price of reconciliation. He would prefer to dwell on South Africa and how to pressure the SAG to end apartheid, including exclusion from international organizations (e.g., IAEA) and strengthened sanctions on which USG-FMG differences are significant.

Libya. Nigeria remains leery of Libyan meddling in Africa although Babangida visited Tripoli following the OAU summit in May. This visit was prompted by domestic religious pressures and foreign policy concerns, including the Libya-Chad conflict. The USG is also concerned over evidence that Libya is on the verge of full-scale CW production, which is especially worrisome given Qadhafi's track record.

Attachments:

1. Talking Points
2. Biographic sketches, Chief Falae and Ambassador Ahmadu

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POINTS TO BE MADE; MEETING WITH
CHIEF SAMUEL FALAE

FALAE'S INTERESTS

- Respond to Falae's interests in the management of the Executive Office of the President from organizing itself internally to dealing with the Congress, State and Defense Departments, other executive departments and state governments in view of Nigeria's own federal structure.

U.S.-NIGERIA RELATIONS

- Cooperation. Note USG pleasure with U.S.-Nigerian cooperation in many areas, including support for Nigeria's Structural Adjustment Program and the pending October 17 negotiation of a Mutual Legal Assistance Treaty to strengthen the battle against narcotics trafficking.
- Responsiveness. Stress U.S. responsiveness to Nigerian concerns -- such as assistance in handling toxic waste removal and restored EX-IM medium cover -- and hope that Nigeria would devote similar attention to major U.S. concerns -- such as Southern Africa initiatives, Libyan terrorism, and Cuban human rights.
- Return to Civilian Rule and Census. Encourage the Babangida Government's commitment to return to elected civilian

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government in 1992. Question Falae on his plans to carry out Nigeria's first successful census in over 20 years as a critical element of the return to civilian rule.

- Economic Bilaterals. Also note readiness of USG delegation led by Under Secretary Wallis to hold bilateral economic discussions in Washington on November 17-18 in response to Nigerian interest in such talks.

ECONOMIC REFORM - U.S. SUPPORT

- Accomplishments. Praise Nigeria's reform efforts which have helped it increase agricultural production, diversify its economy and improve its balance of payments position even though some reforms have been unpopular among city dwellers.
- IMF/IBRD. Inquire about status of agreements with the IMF and IBRD in 1988.
- U.S. SUPPORT. Cite U.S. support for Nigeria's adjustment program in international financial institutions and encouragement of American investment through the extension of medium-term cover by Eximbank and the January 1987 OPIC investment mission as well as U.S. absorption of Nigerian exports. (We are Nigeria's biggest customer, buying nearly

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half of its oil equaling almost \$3 billion in Nigerian foreign exchange earnings each year, and American firms, such as Mobil, actively promote Nigerian exports.)

-- Ban on U.S. Agriculture Products. Voice our hope that Nigeria will soon lift its import ban on U.S. rice, wheat and corn which risks running afoul of provisions in the new U.S. trade bill against discrimination aimed at U.S. products.

-- (If Asked About Paris Club Support.) Say that the USG appreciates Nigeria's need to bridge its financing gap but that the USG will have to study carefully the added burden involved in rescheduling interest. Nigeria would help its case if it caught up on its extensive arrears to the Paris Club.

NIGERIAN FOREIGN POLICY

-- More Pragmatic. Congratulate Falae on the pragmatic and realistic approach to Nigerian foreign policy as enunciated in Minister of External Affairs Nwachukwu's June 30 speech on the dynamics of Nigerian foreign policy, including the link between economic development and diplomacy.

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- Angola/Namibia/South Africa. Note our shared goals of ending apartheid in South Africa and the Angola/Namibia conflict and request Nigeria's public as well as private support for constructive regional efforts at this crucial moment.

- Indicate that despite the progress in Angola/Namibia negotiations, civil war in Angola remains an obstacle to peace. We hope African nations will help find a way to resolve this issue and are encouraged by President Babangida's indication of Nigerian support for peace and national reconciliation in Angola to Assistant Secretary Crocker on September 30.

- Reiterate, as Secretary Shultz did to Nwachukwu on September 28, U.S. opposition to apartheid but simultaneous conviction that U.S. influence in South Africa will only diminish if it cuts off its ties to the business and other communities there through harsher, yet already often counterproductive sanctions.

- Libya. Express concern about Libya's activities in the region as well as its CW capabilities in view of Libyan policies of terrorism and intervention. Note that the USG urges a halt to any contributions other nations might be making to Libyan CW program.

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<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restrictions</i>
256353	SUMMARY RE NIGERIA	1	10/4/1988	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

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PARTICIPANTS MEETINGUnited States

Colin L. Powell

Herman J. Cohen

Frances Cook, State Department West Africa Director

Nigeria

Chief Samuel Falae

Hamzat Ahmadu, Nigerian Ambassador

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Amb. Cohen -
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Don Hester
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256354 SUMMARY

1 8/2/1988

B1

RE NIGERIA

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<SUBJ>SUBJECT: NIGERIA: MILITARY STATE GOVERNORS RESHUFFLED:
THE DETERMINANTS OF PARTICIPATION

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~~CONFIDENTIAL~~ SECTION 01 OF 03 LAGOS 12229

E.O. 12356: DECL: OADR

TAGS: KPRP, PGOV, NI

SUBJECT: NIGERIA: MILITARY STATE GOVERNORS RESHUFFLED:
THE DETERMINANTS OF PARTICIPATION

REF: LAGOS 1101

1. (~~CONFIDENTIAL~~ - ENTIRE TEXT).

~BEGIN SUMMARY~

2. SUMMARY: THE RECENT ROUND OF ASSIGNMENTS, REASSIGNMENTS AND REMOVALS OF MILITARY STATE GOVERNORS (REFTEL) IS AN ILLUSTRATION OF PRESIDENT BABANGIDA'S ABILITY TO MANAGE THE POLITICS OF HIS MILITARY REGIME WHILE MAINTAINING A RESPONSIVE CORPS TO ADMINISTER THE AFFAIRS OF THE COUNTRY. WHILE OFFERING A GLIMPSE INTO THE DYNAMICS OF THE POLITICS WITHIN THE MILITARY GOVERNMENT, THESE CHANGES CHALLENGE BABANGIDA'S ABILITY TO BALANCE SERVICE NEEDS WITHIN THE MILITARY AGAINST RELIGIOUS, ETHNIC AND REGIONAL INTERESTS WITHIN THE COUNTRY AS A WHOLE. IN THIS ROUND OF RESHUFFLING, BABANGIDA WAS ABLE TO REWARD MOST OF THE OFFICERS WHO HAVE BEEN LOYAL TO HIM WHILE REMINDING ALL THE GOVERNORS AND OTHER MILITARY OFFICERS SERVING IN NON-MILITARY POSITIONS THAT THEY MUST ULTIMATELY RETURN TO THE BARRACKS. (THIS MESSAGE RESPONDS TO A REPORTING REQUIREMENTS OF THE 1988 POST REPORTING PLAN). END SUMMARY.

~END SUMMARY~

3. THE THIRD ROTATION OF GOVERNORS IN THE THREE YEARS SINCE BABANGIDA ASSUMED POWER WAS ANOTHER OPPORTUNITY FOR HIM TO DEMONSTRATE HIS ABILITY TO MAINTAIN THE SUPPORT OF AND THEREFORE HIS CONTROL OVER THE MILITARY AND THE COUNTRY BY BALANCING SERVICE AND PATRONAGE IN THE FORMER AND RELIGIOUS, ETHNIC AND REGIONAL INTERESTS IN THE LATTER. IN REWARDING PERSONAL LOYALTY, BABANGIDA HAS CONTINUED HIS PRACTICE OF ASSIGNING RELATIVELY JUNIOR OFFICERS (LIEUTENANT COLONELS AND COLONELS OR THEIR EQUIVALENTS FROM THE OTHER SERVICES) TO THE GOVERNORSHIPS. THIS GIVES THESE OFFICERS THE OPPORTUNITY TO BENEFIT FINANCIALLY DURING THE FINAL TWO YEARS THAT THE MILITARY OCCUPIES THE STATE EXECUTIVE SLOTS BEFORE GOING BACK TO THE BARRACKS WHEN THE CIVILIANS ARE ELECTED IN 1990.

4. ON THE OTHER HAND, BABANGIDA HAS RESPONDED TO COMPLAINTS ABOUT CERTAIN GOVERNORS BY REMOVING THEM. FOR EXAMPLE, HE SENT GROUP CAPTAIN MOHAMMED UMARU OF KANO STATE BACK TO THE BARRACKS. HE HAD BEEN CRITICIZED FOR POOR PLANNING IN STATE GOVERNMENT PROGRAMS, FOR BUNGLING TRADE AND LABOR DISPUTES, AND FOR PERSONAL CORRUPTION. HOWEVER, SOME OF THOSE REMOVED WERE SUPPORTERS OF BABANGIDA'S COUP IN 1985. THEY REPORTEDLY

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WERE DISAPPOINTED AND FELT BETRAYED BY BABANGIDA. THE PRESIDENT HAS ALSO ATTEMPTED TO ENSURE THAT NO GOVERNORS BECOME STALE IN THEIR POSTINGS OR ENTRENCHED WITH THEIR CONSTITUENTS. WHILE STATING PUBLICLY THAT THIS WILL BE THE LAST RESHUFFLING OF GOVERNORS BEFORE THE STATE ELECTIONS IN 1990, BABANGIDA HAS RESERVED THE RIGHT TO PLUCK INDIVIDUALS OUT OF THEIR JOBS IF THEY PERFORM POORLY.

5. SPECIFIC CASES ILLUSTRATE BABANGIDA'S RESPONSIVENESS BOTH TO THE MILITARY AND TO RELIGIOUS, REGIONAL AND ETHNIC FACTORS WITHIN THE COUNTRY AS A WHOLE. WITH THE RECENT ROUND OF APPOINTMENTS, BABANGIDA HAS MAINTAINED WHAT APPARENTLY IS BECOMING THE STANDARD OVERALL RELIGIOUS BALANCE AMONG THE GOVERNORS: OUT OF THE CURRENT TWENTY-ONE, ELEVEN ARE CHRISTIANS AND TEN ARE MUSLIMS. IN ADDITION, WHILE CERTAIN ASSIGNMENTS APPEAR STRAIGHTFORWARD ENOUGH--FOR EXAMPLE, LEAVING COLONEL ROBERT AKONOBİ, AN IBO FROM IMO STATE, IN ANAMBRA--BABANGIDA HAS HAD TO BE ESPECIALLY SENSITIVE TO RELIGIOUS EXIGENCIES IN KADUNA AND IN THE MIDDLE BELT, WHERE JOSTLING BETWEEN CHRISTIANS AND MUSLIMS HAS BEEN THE HARSHTEST.

6. BABANGIDA'S MOVES IN THIS REGION DEMONSTRATE HIS SENSITIVITY TO THE SITUATION. IN PLATEAU STATE, COLONEL LAWRENCE ONOJA HAD ALIENATED A VOCAL MOSLEM MINORITY BY INSTITUTING POLICIES DESIGNED TO REFLECT THE ETHNIC AND RELIGIOUS COMPOSITION OF THE STATE, WHICH IS PREDOMINATELY CHRISTIAN, IN THE STATE GOVERNMENT'S STAFFING. WHILE NOT DISMISSING ONOJA FROM GUBERNATORIAL SERVICE ALTOGETHER, WHICH PROBABLY INDICATES THAT SOME IN THE MILITARY FEEL HE WAS PERFORMING HIS DUTIES CORRECTLY, BABANGIDA DID REASSIGN HIM TO KATSINA STATE, THUS PLACATING THE MOSELS IN PLATEAU AND PLACING ONOJA IN A STATE WITH A POLITICALLY MARGINAL CHRISTIAN MINORITY.

7. IN BAUCHI STATE, COLONEL CHRIS GARUBA, A CHRISTIAN, HAD REPORTEDLY ALIENATED THE RESIDENTS OF KATAGUM, IN

~~CONFIDENTIAL~~ SECTION 02 OF 03 LAGOS 12229

E.O. 12356: DECL: OADR

TAGS: KPRP, PGOV, NI

SUBJECT: NIGERIA: MILITARY STATE GOVERNORS RESHUFFLED: NORTHERN BAUCHI, THROUGH INSTITUTING PRACTICES SIMILAR TO THOSE ATTEMPTED IN PLATEAU. THE KATAGUM MUSLIMS HAD BEEN ACCUSTOMED TO CONTROLLING KEY POSITIONS WITHIN THE STATE GOVERNMENT. GARUBA'S POLICY OF "FAIR AND EQUITABLE" REPRESENTATION OF ALL THREE ZONES IN THE STATE BENEFITTED THE RESIDENTS OF SOUTHERN BAUCHI, AND LED M.K.O. ABIOLA, PUBLISHER OF THE NATIONAL CONCORD, TO ACCUSE GARUBA OF TRYING TO TURN BAUCHI INTO A "PSEUDO CHRISTIAN STATE." BABANGIDA SENT GARUBA BACK TO THE BARRACKS, AND REPLACED HIM WITH COLONEL JOSHUA MADUKI, ALSO A CHRISTIAN AND FORMERLY COMMANDER OF THE ELITE BRIGADE OF GUARDS. BY REMOVING GARUBA BABANGIDA PARTIALLY PLACATED THE KATAGUM MUSLIMS, BUT IN SENDING ANOTHER CHRISTIAN TO BAUCHI HE ALSO SENT A SIGNAL THAT HE WILL NOT LEAN TOO FAR IN THEIR DIRECTION. IN CHOOSING MADAKI, BABANGIDA GIVES A TURN IN THE STATEHOUSE TO AN OFFICER WHO PARTICIPATED IN THE 1985 COUP AND WHO HAS BEEN A LOYAL SUPPORTER SINCE.

8. THE ASSIGNMENT OF COLONEL ABDULLAHI MUKHTAR TO KADUNA SENDS A SIMILAR MESSAGE. SINCE THE CREATION OF

KATSINA STATE AND THE DECEMBER, 1987 LOCAL GOVERNMENT ELECTIONS, CHRISTIANS HAVE HELD CONTROL OF A MAJORITY OF KADUNA'S LOCAL GOVERNMENT COUNCILS. IN ADDITION, KADUNA HAS BECOME A REGIONAL POWER BASE FOR THE CHRISTIAN ASSOCIATION OF NIGERIA (CAN) AS WELL AS FOR SHEIK GUMI'S IZALA MOVEMENT. SENDING MUKHTAR, A MUSLIM WHO HAD DONE WELL IN KATSINA, MAY BE A WAY FOR BABANGIDA TO PLACATE THE KADUNA MAFIA WHILE KEEPING A LID ON RELIGIOUS RIVALRY WITHIN THE STATE.

9. BABANGIDA'S LAGOS MOVES ALSO INDICATE THAT HE HAS REPOSED BOTH TO THE STATE AND TO THE MILITARY. IN MOVING OUT NAVY CAPTAIN MIKE AKHIGBE, BABANGIDA ANSWERED CRITICISMS THAT HAVE BEEN HEARD FOR SOME TIME THAT AKHIGBE ALIENATED THE YORUBA POPULATION OF LAGOS STATE BY OFFERING FAVORS AND DEALS TO IBOS. AKHIGBE HAS BEEN SENT BACK TO THE BARRACKS, AND HIS NEXT POSTING HAS NOT YET BEEN ANNOUNCED. HIS REPLACEMENT, COLONEL RAJI RASAKI, IS A YORUBA FROM OYO STATE WHO FORMERLY SERVED AS GOVERNOR OF OGUN STATE. IN ADDITION, HE PARTICIPATED IN THE 1985 COUP, AND HAS LONG BEEN LOYAL TO BABANGIDA.

10. WHEN CONFRONTED WITH BOTH GOVERNMENTAL/ADMINISTRATIVE AND MILITARY/SERVICE NEEDS, HOWEVER, BABANGIDA FAVORS THE LATTER, EVEN AT THE EXPENSE OF THE FORMER.

AKWA-IBOM AND KATSINA STATES HAD JUST RECEIVED THEIR FIRST GOVERNORS LAST SEPTEMBER. RESIDENTS OF BOTH STATES FELT THAT TO

INITIATE DEVELOPMENT PROJECTS THE STATE GOVERNMENTS NEEDED CONTINUITY IN LEADERSHIP THAT SPANNED MORE THAN TEN MONTHS. HAVING SHIFTED COLONEL MADAKI TO BAUCHI, HOWEVER, BABANGIDA NEEDED A REPLACEMENT AS COMMANDER OF THE BRIGADE OF GUARDS, SOMEONE WHO HAD PROVEN BOTH HIS PERSONAL LOYALTY TO BABANGIDA AND THAT HE COULD HANDLE A HIGH-PROFILE JOB. IN TAPPING BENDEL'S GOVERNOR, COLONEL JOHN INIENGER, BABANGIDA CREATED A VACANCY IN AN IMPORTANT STATE, BOTH TRADITIONALLY AND BECAUSE OF ITS ROLE AS A LEADER IN THE POLITICS OF THE MINORITY STATES. IN A COORDINATED MOVE, BABANGIDA BROUGHT INIENGER TO LAGOS TO COMMAND THE BRIGADE OF GUARDS, SENT COLONEL JONATHAN OGBEHA, WHO HAD PROVEN HIMSELF TO BE A GOOD MANAGER IN AKWA-IBOM, TO BENDEL, AND SENT COLONEL GODWIN ABBE TO THE DISENCHANTED INHABITANTS OF AKWA-IBOM.

11. COMMENT: WHILE RESPONDING WITH VARYING LEVELS OF EFFECTIVENESS TO THE ADMINISTRATIVE NEEDS OF THE INDIVIDUAL STATES, BABANGIDA HAS DEMONSTRATED HIS ABILITY TO RESPOND TO THE NEEDS OF THE NIGERIAN STATE AS A WHOLE. IN DOING SO, HOWEVER, BABANGIDA HAS PLACED SERVICE, RELIGIOUS AND ETHNIC CONSIDERATIONS ABOVE PURELY MANAGERIAL EXIGENCIES. BY MAINTAINING THE NECESSARY AND DELICATE BALANCE AMONG THESE FACTORS, AND BY EMPHASIZING AND SO GENERALLY SATISFYING THE NEEDS OF THE MILITARY, BABANGIDA HAS MANAGED TO MAINTAIN THEIR SUPPORT. IT IS THIS LAST GOAL THAT MOST OFTEN DICTATES THE CHOICES OF THE INDIVIDUALS WHO SERVE IN BOTH STATE AND FEDERAL GOVERNMENT. HAVING APPOINTED NINE NEW OFFICERS TO SERVE AS STATE GOVERNORS, BABANGIDA HAS AGAIN INCREASED MILITARY PARTICIPATION IN AND ACCESS TO THE FRUITS OF GOVERNING, WHICH TRANSLATES INTO INCREASED SATISFACTION WITHIN THE MILITARY AND THUS CONTINUED SUPPORT FOR HIS REGIME.

END COMMENT.

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~~CONFIDENTIAL~~ SECTION 03 OF 03 LAGOS 12229

E.O. 12356: DECL: OADR

TAGS: KPRP, PGOV, NI

SUBJECT: NIGERIA: MILITARY STATE GOVERNORS RESHUFFLED:
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<SUBJ>SUBJECT: MRS. BABANGIDA WISHES TO VISIT US END NOVEMBER;
PAY CALL ON MRS. REAGAN

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Nigeria*

<TEXT>

~~CONFIDENTIAL~~ LAGOS 15878

E.O. 12356: DECL: OADR

TAGS: PREL, SNAR, OVIP (BABANGIDA, MARYAM), NI, US

SUBJECT: MRS. BABANGIDA WISHES TO VISIT US END NOVEMBER;
PAY CALL ON MRS. REAGAN

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. CHIEF OF PROTOCOL AMBASSADOR IHAMA APPROACHED
AMBASSADOR AT AUSTRIAN DAY RECEPTION OCTOBER 26 TO ASK
IF IT WOULD BE CONVENIENT FOR MRS. BABANGIDA TO VISIT US
AT END NOVEMBER AND PAY CALL ON MRS. REAGAN. MRS.
BABANGIDA HAD BEEN DISAPPOINTED NOT TO HOST MRS. REAGAN
IN NIGERIA EARLIER THIS YEAR AND WOULD LIKE TO SEE HER
IN WASHINGTON.

3. AMBASSADOR SAID HE WOULD INQUIRE IMMEDIATELY.

4. COMMENT AND ACTION REQUESTED. MRS. BABANGIDA HAS
LAUNCHED HER OWN ANTI-DRUG CAMPAIGN IN NIGERIA PATTERNED
VERY MUCH AFTER THAT OF MRS. REAGAN. THERE IS NO/NO
DOUBT THAT SHE WOULD LOVE TO HAVE THE OPPORTUNITY TO BE
ASSOCIATED WITH MRS. REAGAN IN THIS EFFORT. FROM OUR
POINT OF VIEW THIS WOULD BE AN EXCELLENT CONTRIBUTION
NOT ONLY TO GOOD RELATIONS BETWEEN THE US AND NIGERIA
BUT WOULD ACT AS BIG BOOST TO OUR EFFORTS ON NARCOTICS
HERE. WOULD APPRECIATE KNOWING WHETHER MRS. REAGAN
COULD RECEIVE MRS. BABANGIDA AROUND END NOVEMBER. END
COMMENT. LYMAN

<SECT>SECTION: 01 OF 01<SSN> 5878<STOR> 881027042151 MSG000215238111
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