Depressed Oil Prices Force Change In Nigerian Import Policy

[AN] Nigeria's Central Bank, faced with trade deficits of some $600 million a month, decided on March 23 to stop issuing letters of credit for imports and to suspend all applications for new import licenses. Last week, the restrictions were still in effect as oil producing countries and oil companies continued their war of nerves over Nigeria's oil prices and production.

Nigeria's fiscal crisis stems largely from the current worldwide surplus of oil, which has brought prices down and severely cut the west African nation's export income. Given current market conditions, oil firms have the option of purchasing cheaper oil from Britain's North Sea concessions and other sources. The demand for Nigeria's crude, consequently, is falling.

By the end of March, Western oil companies producing in Nigeria had agreed to keep output stable in the month of April. But Nigeria charged, and oil industry sources privately confirmed, that some companies are trying to get out of the long-term agreements that require them to buy a certain quota of Nigerian oil. Apparently, some have begun implementation of "phase-out" clauses in their contracts, which would allow cancellation of the purchase agreement after a ninety-day period.

Such phase-out efforts might result in a production hike in the first thirty days after notification, with reductions over the following two months. Total Nigerian production, at some 1,300,000 barrels per day in February, slumped to under 700,000 barrels per day by the end of March, according to some reports.

Nigeria's oil is of a light grade that has enjoyed a premium price. But despite a $1 per barrel price cut following the March 19 OPEC meeting, the $35.50 per barrel Nigeria is asking — $1.50 above the standard OPEC price for heavier grades — is being undercut. Non-OPEC North Sea producers are charging $31 per barrel for a similar grade of crude.

The reasons for the current surplus, and how long it is likely to last, are matters of intense dispute. Demand for petroleum products in industrialized countries has fallen in recent years far more rapidly than practically anyone expected, with energy conservation measures and depressed economies each cutting consumption. At the same time, production by non-OPEC countries is expanding rapidly. In addition, charge OPEC spokespersons, the oil companies are deliberately unloading stockpiles of oil in order to further undercut OPEC. Furthermore, African oil producers in particular accuse OPEC leader Saudi Arabia itself of keeping production at too high a level.

Nigerian production, which had recovered from mid-1981 lows to 1.8 million barrels per day early this year, fell again in February to 1.3 million barrels per day. By early March there were rumors that Nigeria would be forced to break OPEC ranks and drastically cut prices. At its March 19 meeting, OPEC set new production quotas totalling 18 million barrels per day, and Saudi Arabia the following day announced an additional cut of 500,000 barrels per day. Even this reduced level, however, with Nigeria allocated 1.3 million barrels per day, is thought unlikely to be sufficient to maintain OPEC prices at the benchmarch $34 per barrel.

Following the meeting, Saudi Arabia let it be known that companies refusing to purchase Nigeria's oil would be met with reprisals. Of the companies involved in Nigeria, Mobil, with some 14% of production, and Texaco, with 2%, are relatively vulnerable to Saudi pressure, since they have significant stakes in that country. But Shell, with almost 50% of Nigeria's production, Gulf (almost 20%), Agip (almost 10%) and Elf-Aquitaine (5%) are likely to be less responsive to Saudi threats.

If the oil firms do not respond, OPEC countries are considering a new emergency meeting before their next regularly scheduled gathering in May.

Oil company representatives say their actions are simply a response to market pressures and are not particularly aimed at Nigeria. Nigerian oil officials, however, say current moves are part of a concerted action to split OPEC by focusing on the weakest link. With its large population and ambitious development plans, Nigeria is far more affected by revenue losses than most other OPEC states.

The 1982 budget, which passed the Senate in early March, provides for some $16.1 billion in expenditures, $10.8 billion of that going for capital investment projects. Oil revenues account for some 85% of government revenues, and President Shehu Shagari has already announced that the budget may have to be revised, with many projects delayed.

Nigeria is reported to be seeking as much as $6 billion in loans from the World Bank and the International Monetary Fund. The country has also had a good credit rating, and last year raised some $1.8 billion on the commercial market for Eurocredits, general at seven-eighths per cent over LIBOR (the London Interbank Offered Rate). Earlier this year borrowing was expected to reach some $2 billion on the Euromarket in 1982. Some loans were clearly going ahead, such as a $305 million package signed in February between Kwara State and a consortium led by Britain's Morgan Grenfell. But others may be delayed by the oil revenue crisis, or higher interest rates may be demanded by the banks.

If budget cuts are too severe, observers expect both step-ups in industrial strike action and increased pressure from opposition political parties preparing for next year's election.

COLUMBUS, OHIO — Haitian refugees (from left) Frantz Menthor, Jacob Belizaire and Ronald Chery enter the terminal at Port Columbus International Airport Thursday night to be greeted by an enthusiastic crowd of about 40 people. The men arriving from Miami was a culmination of a nearly four month effort by the Haitian Assistance Program to help resettle Haitians in Columbus. UPI Photo

NCCU Alumni And Friends Host Banquet

Dr. Mable Phiefer, President of the Robert R. Morton Institute, will be the principal speaker at the Annual Unity Banquet of the North Carolina and Friends Coalition at the W.G. Pearson Cafeteria on the campus of North Carolina Central University at 7:00 p.m. on Saturday enening, April 17, 1982. The honorable H. M. "Mickey" Michaux will serve as Master of Ceremonies for the affair.

The alumni and friends in the Raleigh-Durham-Chapel Hill area will host this fund-raising effort. Citizens are asked to call for tickets from The Director of Aliumni Affairs at either North Carolina Central, Winston-Salem State, Fayetteville State, North Carolina A&T State or Elizabeth City State University. Tickets may also be secured from G.L. Laws at (919) 834-8142 or (919) 772-3384.

The NCAFC was organized in December 1973 in Greensboro by a concerned group of alumni and friends of the state's five traditionally black universities. The group has addressed itself to the far-reaching objectives of raising the quality fo education and assuring higher educational opportunities for all who seek them. According to G. L. Laws, Executive Director, a number of other educational and political leaders will participate int he program. Special music will be provided by the NCCU Touring Choir.