1984 CONSULTATION WITH NIGERIA
Background Paper by the Secretariat

1. This paper has been prepared in accordance with paragraph 7 of the
Declaration on Trade Measures Taken for Balance-of-Payments Purposes adopted by
the CONTRACTING PARTIES on 28 November 1979 (BISD 26S/205-209).

I. Introduction

2. Nigeria became a contracting party to GATT on 1 October 1960, pursuant to the
provisions of paragraph 5(c) of Article XXVI (BISD 9S/13). The present
consultation is the first by Nigeria in the Committee. Nigeria notified the GATT,
in a communication dated 26 November 1982, that it had introduced restrictive
measures on imports under the terms of Article XVIII:B with effect from 21 April
1982, to combat, inter alia, deteriorating terms of trade, the global economic
recession and the effects of the sharp decline in oil revenue brought about by a
surplus of petroleum on the world market. (L/5425)

3. Nigeria operates a system of import control licencing comprising import
prohibitions, import licencing and open general licencing. Prior to
20 April 1982, import prohibitions covered goods banned for health, safety or
religious reasons, plus any items considered non-essential by the authorities or
in which it was felt that domestic production could fully satisfy local demand.
Import of 21 items was absolutely prohibited, and another 65 items were subject to
prohibition except as personal effects. The items in question are Nos. 1 to 20 of
List "A" in the Nigerian Basic Document (BOP/233), and Nos. 1 to 63 and 67 of
List "B". Import licences for trade purposes covered seventy-eight items prior
to 21 April 1982. Other items were importable under open general licence. All
importers must be registered with the Ministry of Commerce. Nigeria's import
licencing procedures have been notified to GATT in document L/5438.

II. Restrictive measures taken for balance-of-payments purposes

4. The restrictive measures taken by Nigeria since April 1982 can be summarized
as follows:

(a) The number of items subject to quantitative controls through import
prohibition or licensing was markedly increased;

(b) The system of foreign exchange allocation was tightened up, with new
priorities established for such allocation;
(c) An import deposit requirement was introduced;
(d) Import duties were markedly increased on a number of items;
(e) Import inspection procedures were reinforced.

A. Import prohibitions and licences

(i) Prohibitions

5. In April 1982, three items (gaming machines, frozen chicken, and U2 size batteries) were added to the list of prohibited items, while one (concentrated malt extract) was removed and placed under import licencing. In January 1983, passenger cars with a value exceeding N15,000 or engine capacity over 2,500 cc were removed from the absolutely prohibited list and added to the list of goods prohibited except when imported as personal effects.

(ii) Licensing

6. In April 1982, twenty-eight items (those included in L/5425) were added to the list of goods for which import licences were required. In January 1983, a further 131 items were added to the list; as of 24 January, a consolidated list of goods subject to import prohibitions and import licencing was issued containing 231 items under import licensing, 68 items prohibited except as personal effects and 20 items absolutely prohibited. The list established by Nigeria on 1 January 1983 has been notified by Nigeria in BOP/233. Import licences are issued by the Import Quota Allocation Committee, normally on a first-come-first-served basis, but subject to a formula allotting 60 per cent of the aggregate value of licences issued to major industrial projects, 30 per cent to distributors according to geographical location, and 10 per cent to emergencies. Priorities for import licences go to raw materials, spare parts, machinery, public sector imports, and major food items including rice. The allocation of import licences is also, importantly, subject to foreign exchange constraints as noted below.

B. Allocation of foreign exchange

7. Before foreign exchange for imports can be allocated or letters of credit can be opened, traders are required to obtain a registration Form M, which until January 1984 was issued only by the Central Bank. Issuance of Form M is conditional on the importer having obtained an import licence and presenting a tax clearance certificate covering the last three years. It is only after Form M has been registered that an importer can confirm his order to the seller. Foreign exchange was allocated according to the following priorities during 1982 and 1983:

(a) interest on approved loans; repayment of principal on approved loans; education, medical and business allowances;
(b) raw materials; spare parts; food; books; medicines;
(c) usance bills (for collection and payment on account for items covered in (b));

(d) airlines operating locally; freight charges; property sales; consultancy payments; dividends and technical services;

(e) other government payments.

8. Issue of Form M was suspended between 23 March and 21 April 1982. On 1 April, the validity of Form M, previously one year, was reduced to six months. With the extreme shortage of foreign exchange in 1983, disbursements of funds by the Central Bank were delayed. This led to serious arrears in certain trade payments; and categories of payments other than (a) above were frequently starved of funds. The shortage of foreign exchange led even to some types of payment under (a), such as students' fees, being withheld for brief periods.

9. In January 1984, the system of foreign exchange allocation was revised by the new government to permit merchant and commercial banks to take over the administration of the Form M system for private sector and parastatal imports, within guidelines administered by the Central Bank. Priorities for release of foreign exchange were also revised to give primary allocation to raw materials, followed by spare parts, food, medical equipment, capital goods and finally consumer goods. Nevertheless, the supply of foreign exchange is still strictly limited. Foreign exchange limits for private sector and parastatal imports have initially been set at less than $500 million per month, following the policy outline in the budget introduced by the former government in December 1983. The value of overseas payments is thus only one-third of the 1981 level. Among other provisions, foreign exchange for business travel has been suspended, and for new students, only post-graduate fees overseas are to be paid; medical expenses are disallowed unless authorized by the chief medical officer of the applicant's home State. In this way, the government hopes to give greater priority to necessary imports of goods for industry and agriculture.

C. Import Deposit Requirement

10. Since 21 April 1982, importers have been required to make advance non-interest bearing deposits with commercial banks before opening letters of credit. The rates of such deposits range from 10 to 250 per cent of the value of imports: 10 per cent for raw materials, 25 per cent for spare parts, 40 per cent for food products, medicaments, building materials, capital goods and books, 200 per cent for commercial motor vehicles and trucks and 250 per cent for all other products including private cars. Rice and petroleum products are exempt. Import deposits were in 1982 and 1983 not required in respect of imports for which credit facilities of more than six months from the date of shipment had been obtained. For imports financed under usance bills maturing less than six months from the date of shipment of goods to Nigeria, and bills for collection and payment on account valid for less than six months' duration from the date of shipment of goods to Nigeria, the advance deposits were to be paid within a period of not less than 10 days before the arrival of goods at Nigerian ports. With effect from 1 January 1984, an import deposit are required for any goods regardless of the method of payment; the deposit is to be lodged at the time of registration of Form M.
D. Tariffs

11. On 21 April 1982, increased tariffs were introduced ranging from 5 to 100 per cent on a group of 49 tariff headings (listed in document L/5425, pages 4 and 5). New duty increases in force in January 1983 affected about another 33 tariff headings and sub-headings and ranged from 5 to 80 per cent. Furthermore, 10 additional sub-headings with duty rates of 5 to 200 per cent were created. Modifications to the tariff schedule implemented in January 1983 are indicated in Annex I. Nigeria has only one bound item in its GATT schedule (stockfish) which is not affected by these increases.

E. Import procedures

12. Most imports are subject to preshipment import surveillance by the Société Générale de Surveillance in the country of origin regarding quality, quantity and price. Unless a "Clean Report of Finding" is issued by SGS, foreign exchange settlement for imports may not be made. The list of exemptions from pre-shipment inspection as of 1 January 1984 covers gold, precious stones, objects of art, explosives and pyrotechnic products, ammunition, implements of war, live animals, fresh, chilled, frozen or tinned fruit and vegetables, scrap metal, household and personal effects, including used motor vehicles, parcel post, samples and petroleum and refined petroleum products. Prior to April 1982, all shipments exceeding Naira 10,000 were subject to inspection; the limit was lowered to N 5,000 in April 1982 and subsequently to N 1,000 in January 1984.

III. Treatment of imports from different sources

13. The measures introduced by Nigeria since 1982 are non-discriminatory in character. (Nigeria maintains no trading links with South Africa or Namibia.) Payments for imports may be made in any convertible currency. Settlements with other West African countries are normally made through the West African Clearing House.

IV. State trading

14. The National Supply Company which handles all purchases for federal and state governments of Nigeria also deals with bulk imports of essential items in short supply in the country such as flour, rice, some foodstuffs, building materials and fertilizers.

V. Effects of the import measures

15. There is no doubt that the complex of import restrictive measures taken by Nigeria have been extremely effective in curbing imports in a critical period. It is estimated that between March 1982 and early 1983, the volume of shipments between Europe and Lagos was reduced by up to two-thirds. There is, however, evidence that the measures have had a significant adverse effect on the domestic economy leading, inter alia, to inflation in food prices and widespread short-time working and/or lay-offs in most sectors of Nigerian industry, including vehicle assembly, textiles, timber processing and plywood.
VI. External trade factors in the Nigerian balance of payments

16. The main contributory factor in the crisis in the Nigerian balance of payments is, obviously, the decline in petroleum revenue, which has fallen substantially since 1980, reflecting the general recession in demand for petroleum and petroleum products world wide. However, as noted below, non-petroleum exports of agricultural and semi-processed products have also declined markedly.

17. The main non-petroleum sectors of trade in which Nigeria has an interest are cocoa and cocoa products, vegetable oils, oilseeds and derivatives, rubber, leather and leather products, tropical timber and certain metals and products, particularly copper, tin and cobalt.

18. Cocoa, vegetable oils and oilseeds, tropical timber and rubber are the subject of multilateral consultations on trade liberalization for tropical products under the aegis of the Committee on Trade and Development. Nigeria is participating in these consultations.

19. Nigeria benefits from preferential access under the EEC/ACP Lomé Convention in the EEC market. In all other developed markets except the United States, it is included in GSP coverage subject to the general product coverage and/or quota limitations. Nigeria is excluded from GSP status in the United States as a member of OPEC.

VII. Developments in the Nigerian Economy

20. An examination of economic developments in Nigeria is hampered by a lack of up-to-date data. After 1979, most available information is either provisional or estimated.

21. Since 1974, the petroleum sector's rôle in the economy, particularly in the external sector, has loomed large, while traditional agricultural activities have diminished, in some cases absolutely. The petroleum sector has recently accounted for around 15 per cent of GDP, 75 per cent of government revenue and 95 per cent of foreign exchange earnings. In contrast, the agricultural sector's contribution to GDP has declined from 30 per cent in 1974 to approximately 20 per cent in recent years. In the same period, the manufacturing sector's share in GDP has increased from 4 to 8 per cent. The poor performance of agriculture, together with a substantial cutback in production of petroleum, resulted in declining GDP in both 1981 and 1982.

22. The rate of inflation rose to about 20 per cent in 1981 (from 11 per cent in each of the two preceding years), but slowed down in 1982 and 1983 according to official data. The Naira depreciated in dollar terms in 1981 and 1982. By the end of 1983, the Naira had depreciated by 27 per cent in dollar terms, compared to its value at the end of 1980, but remained largely unchanged in nominal effective terms.
23. Nigeria's export performance in recent years has depended almost solely on developments in petroleum trade. Exports other than petroleum have accounted for no more than 5 or 6 per cent of total revenue in this period. In 1981, reflecting weak demand at prevailing prices, the volume of petroleum exports fell by more than one-third. This was only partly offset by higher prices, the net result being a decline of around 26 per cent in Nigeria's total export income. (During the 1975 recession in the industrial countries, Nigeria's foreign exchange earnings had declined by 20 per cent.) The volume of exports dropped sharply from the middle of 1980, reaching a low in the third quarter of 1981. In 1982, petroleum shipments stabilized somewhat, but remained 8 per cent below 1981. Export earnings were down by 16 per cent in 1982 and a similar decline is estimated for 1983.

24. Non-petroleum exports consist largely of agricultural and semi-processed goods. The performance of most such exports has been very poor in the last five years. Cocoa exports, the largest non-petroleum export item and once an important source of revenue, declined strongly in volume and value in 1981, following an even steeper price-induced decline in 1980. The proportion of non-petroleum export revenue derived from cocoa was equal to only 13 per cent in 1981 compared to 63 per cent in 1979. Receipts from other traditional non-petroleum exports have either stagnated or declined since 1977, sometimes as a result of falling world prices and sometimes due to supply problems.

25. In 1981, 44 per cent of Nigeria's exports were sold to the United States. The next most important markets were the Netherlands, France and the Federal Republic of Germany. The main changes in the regional distribution of exports since 1975 have been a sharp reduction in the proportion going to the United Kingdom (from 14 1/2 per cent in 1975 to 1 per cent in 1981) and a 50 per cent increase in the share of the United States.

26. In dollar value, imports (c.i.f.) decreased by 20 per cent in 1979, then increased by 62 per cent in 1980 and by a further 25 per cent in 1981. The 1979 decline consisted mainly of a drop in volume resulting from import restrictions imposed for balance-of-payments reasons. In contrast, the deceleration in import expenditure in 1981 was mainly due to a slowdown in the dollar unit value of imports. As in the previous year, the most rapid growth was in imports of machinery and transport equipment, other manufactures and food. Among these three categories, there appears to have been a greater deceleration in imports of manufactures (other than machinery and motor vehicles) than of the other two items. In 1981, machinery and transport equipment accounted for 42 per cent of total expenditure on imports, while other manufactures accounted for 28 per cent and food and live animals for 16 per cent. In 1982, imports fell by just over 30 per cent in dollar terms, implying a severely reduced volume. The contraction of imports appears to have continued in 1983, while becoming much more drastic: the value of imports during January-June 1983 was less than one-half what it was in the corresponding period of 1982.

27. The bulk of Nigeria's imports are supplied by the EC, Japan and the United States. In 1981, the United Kingdom remained the dominant supplier, with 18 per cent of the total (compared to 23 per cent in 1975). The next largest suppliers were the Federal Republic of Germany, Japan, the United States and France.
28. The combination of a sharp reduction in petroleum revenue and continued, though diminished, growth in import payments, resulted in the conversion of a large trade surplus to a deficit of just under $1.5 billion in 1981 (f.o.b./c.i.f., customs basis). Through strong import declines, it is thought that Nigeria posted trade surpluses again both in 1982 and 1983.

29. Although the effects of the decline in oil prices since 1981 are the most dramatic element in the deterioration of Nigeria's economy and external balance, the structural problems facing the economy, particularly in relation to agricultural and industrial development, go beyond the short-term problems caused by the oil factor. It is estimated that oil may cease to make a major contribution to import financing in less than a decade; thus, the need to revive and diversify the economy is urgent.
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</thead>
<tbody>
<tr>
<td>0 Food and live animals</td>
<td>1 581.0</td>
<td>2 630.6</td>
<td>3 447.6</td>
<td>516.1</td>
<td>636.8</td>
<td>338.6</td>
</tr>
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<td>1 Beverages and tobacco</td>
<td>13.5</td>
<td>22.1</td>
<td>28.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>2 Crude materials</td>
<td>194.9</td>
<td>286.8</td>
<td>329.1</td>
<td>139.6</td>
<td>140.7</td>
<td>48.7</td>
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<td>3 Mineral fuels</td>
<td>210.5</td>
<td>283.3</td>
<td>287.5</td>
<td>16,425.0</td>
<td>24,947.1</td>
<td>17,169.8</td>
</tr>
<tr>
<td>4 Animal and vegetable oils and fats</td>
<td>162.7</td>
<td>210.5</td>
<td>200.6</td>
<td>29.5</td>
<td>28.5</td>
<td>8.6</td>
</tr>
<tr>
<td>5 Chemicals</td>
<td>1 074.0</td>
<td>1 671.7</td>
<td>2 046.8</td>
<td>2.7</td>
<td>4.9</td>
<td>3.9</td>
</tr>
<tr>
<td>6 Manufactured goods</td>
<td>2 394.7</td>
<td>3 626.1</td>
<td>4 304.0</td>
<td>57.3</td>
<td>75.2</td>
<td>43.8</td>
</tr>
<tr>
<td>7 Machinery and transport equipment</td>
<td>3 987.0</td>
<td>6 680.2</td>
<td>8 812.9</td>
<td>22.7</td>
<td>46.3</td>
<td>39.8</td>
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<tr>
<td>8 Miscellaneous manufactured articles</td>
<td>580.3</td>
<td>1 180.5</td>
<td>1 553.7</td>
<td>5.0</td>
<td>5.3</td>
<td>2.1</td>
</tr>
<tr>
<td>9 Miscellaneous transactions</td>
<td>42.3</td>
<td>53.1</td>
<td>47.8</td>
<td>62.1</td>
<td>98.6</td>
<td>70.7</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>10,241</td>
<td>16,645</td>
<td>21,059</td>
<td>17,260</td>
<td>25,984</td>
<td>17,726</td>
</tr>
</tbody>
</table>

Note: Figures for 1980 and 1981 are provisional.

### ANNEX I

**Tariff Modifications under the Orders of 1 January and 24 January 1983**

<table>
<thead>
<tr>
<th>CCCN</th>
<th>Commodity Description</th>
<th>Effect of the Order</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.08</td>
<td>Starches</td>
<td>Increases the rate of duty from 33 1/3 per cent to 100 per cent.</td>
</tr>
<tr>
<td>28.17</td>
<td>A. Sodium hydroxide (caustic soda in solid or liquid form) imported by manufacturer approved in that behalf by the Minister</td>
<td>Increases the rate of duty from 5 per cent to 10 per cent.</td>
</tr>
<tr>
<td>32.13</td>
<td>Printing ink, special printing ink for bank notes</td>
<td>Increases the rate of duty of printing ink from 25 per cent to 50 per cent and creates a separate sub-heading for special printing ink for bank note and imposes 30 per cent duty. Increases the rate of duty for other from 33 1/3 per cent to 66 per cent ad valorem.</td>
</tr>
<tr>
<td>34.01</td>
<td>Toilet soap and detergents</td>
<td>Increases the rate of duty from 30 per cent to 100 per cent.</td>
</tr>
<tr>
<td>34.02B</td>
<td>Other surface active preparations and washing preparations</td>
<td>Increases the rate of duty from 30 per cent to 100 per cent.</td>
</tr>
<tr>
<td>39.01B(2)</td>
<td>Alkyd, polyester, polyamides, acrylics, phenolics, epoxy resins in liquid, pastes solutions, solids or powder</td>
<td>Introduces new Tariff Description and increases rate of duty from 30 per cent to 50 per cent.</td>
</tr>
<tr>
<td>39.01B(3)</td>
<td>Other artificial resins in granules, flakes or powder</td>
<td>Reduces rate of duty from 10 per cent to 5 per cent.</td>
</tr>
<tr>
<td>39.01C</td>
<td>Other</td>
<td>Increases the rate of duty from 10 per cent to 50 per cent.</td>
</tr>
<tr>
<td>44.28C</td>
<td>Sticks imported for use in confectionery industry</td>
<td>Increases the rate of duty from 25 per cent to 200 per cent.</td>
</tr>
<tr>
<td>48.19</td>
<td>Paper or paper labels whether or not printed or gummed</td>
<td>Creates a separate sub-heading for paper labels and imposes 200 per cent duty. Increases the rate of duty for other from 66 2/3 to 71 2/3 ad valorem</td>
</tr>
</tbody>
</table>
48.21C Ladies' sanitary pads and children's disposable nappies made of tissue paper

Creates a separate sub-heading and imposes 200 per cent duty.

55.06B Cotton yarn, put up for retail sale

Increases the duty from 60k the kg. or 50 per cent to N1.20k the kg. or 100 per cent

55.09C Real Madras or George

Creates a separate sub-heading and imposes N2.00 the sq.metre or 200 per cent duty.

62.01 Blankets

Creates a separate sub-heading for blankets and imposes 100 per cent duty.

62.03A Sacks and bags of jute

Increases the duty from each 10k to 25k each or 50 per cent ad valorem.

68.14B Brake linings and disc pads suitable for motor vehicles of Tariff Nos. 87.01 and 87.02

Introduces new Tariff Description.

70.11A Glass Envelopes

Introduces new Tariff Description.

73.12A Hoop and strip or iron or steel hot rolled or cold rolled

Introduces new Tariff Description.

73.12C Other

Increases the rate of duty from 15 per cent to 50 per cent.

73.13 A. Corrugated galvanised roofing sheets

Increases the rate of duty from 20k or 25 per cent to 20k or 30 per cent.

B. Sheets and plates imported by manufacturer approved in that behalf by the Minister

Creates a new sub-heading and introduces a new rate of duty at 10 per cent.

C. Flat galvanised or coated iron sheets

Increases the rate of duty from 25 per cent to 20k or 30 per cent.

D. Other

Increases the rate of duty from 10 per cent to 20 per cent.

73.21B Fabricated Structural Steel

Increases the rate of duty from 40 per cent to 60 per cent.

73.36 A. Cooker grips imported by a manufacturer approved in that behalf by the Minister.

Introduces a new rate of duty of 5 per cent.

C. Kerosene cookers and stoves imported (CKD)(completely knocked down) by a manufacture of kerosene cookers and stoves approved in that behalf by the Minister.

Increases the rate of duty from 10 per cent to 50 per cent.
76.03 Wrought plates, sheets and strip of aluminium

Increases the rates of duty from 10 per cent to 15 per cent from A, from 66 2/3 per cent to 100 per cent for B(1); from 33 1/3 per cent to 50 per cent for B(2); and from 20 per cent to 50 per cent for C.

80.03 Wrought plates, sheets and strips of tin:
A. Imported by approved manufacturer for the local manufacture of domestic refrigerators, domestic air-conditioners or parts thereof.
B. Printed or coated sheets of tin imported by approved manufacturer for the local manufacture of containers.
C. Other

Creates new sub-headings A and B and increases the rates of duty from 20 per cent to 25 per cent.

82.01C Other

Increases the rate of duty from 66 2/3 per cent to 71 2/3 per cent.

82.09A Knives with cutting blade

Introduces 15 per cent rate of duty for approved manufacturers.

82.09B Other

Increases the rate of duty from 50 per cent to 55 per cent.

84.15 Refrigerator and refrigerating equipment (electrical and other)
A. Industrial

Increases the rate of duty from 5 per cent to 10 per cent.

B. Components imported CKD (completely knocked down) and parts imported by an assembler approved in that behalf by the Minister.

Increases the rate of duty from 50 per cent to 100 per cent.

C. Other

D. Parts:
   (1) Industrial

   Increases the rate of duty from 5 per cent to 10 per cent.
   Increases the rate of duty from 50 per cent to 100 per cent.

   (2) Other
A. CKD (completely knocked down) of machine tools imported by a local assembler approved in that behalf by the Minister.

B. Tool holder
   (1) For hand tools
   (2) For machine tools

C. Parts and accessories of machines tools, parts for B.

D. Other, including parts

Creates a separate sub-heading and imposes 5 per cent duty.

Increases the rate of duty from 20 per cent to 25 per cent.

Increases the rate of duty from 10 per cent to 15 per cent.

Increases the rate of duty from 5 per cent to 10 per cent.

Increases the rate of duty from 33\(^{1/3}\) per cent to 38\(^{1/3}\) per cent.

85.04B Electric accumulators

Increases the rate of duty from 40 per cent to 75 per cent.

85.06C Other electro-mechanical domestic appliances

Introduces a new sub-heading C at 50 per cent.

87.10B Other cycles, not motorized

Increases the rate of duty from 20 per cent to 100 per cent.

87.12B Parts and accessories of articles falling within headings No.87.09, 87.10 and 87.11

Increases the rate of duty from 20 per cent to 100 per cent.

87.14B Wheelbarrows

Increases the rate of duty from 50 per cent to 100 per cent.