In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (L/6490), the Secretariat submits herewith Volume A (Text) of its report on Nigeria. Volume B (Tables and Appendices) is presented in document C/RM/S/15B.

The report is drawn up by the Secretariat on its own responsibility. It is based on the information available to the Secretariat and that provided by Nigeria. As required by the Decision, in preparing its report the Secretariat has sought clarification from Nigeria on its trade policies and practices.


NOTE TO DELEGATIONS

Until further notice, this document is subject to a press embargo.
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SUMMARY OBSERVATIONS

1. Over the past three decades since its independence in 1960, the Nigerian economy has undergone radical structural changes. In the 1960s, agriculture was the most important sector of the economy, with the largest share of GDP, employment, and export earnings. However, during the last two decades, petroleum became the leading sector of the economy, accounting for more than 90 per cent of Nigerian exports and over 70 per cent of Government revenue.

2. During the oil boom of the 1970s, efforts were made by the Government to use the oil revenue to restructure the economy and to expand the economic base, largely through the establishment of numerous public enterprises and public investments in large scale industrial projects. Manufacturing activities also grew, but many were heavily dependent on imported materials.

3. The heavy dependence of the economy on petroleum and imported inputs made the economy highly vulnerable to external changes, particularly those in world demand and prices for petroleum. As a consequence of the sharp decline in demand and prices for petroleum in the early 1980s, Nigeria faced a series of economic difficulties including large negative growth of GDP, deficits in trade and current account balances and Government budget, and massive increase in external debt.

4. Against this difficult economic situation, the present military Government, in power since 1985, gave the highest priority to structural economic reform, particularly by diversifying the productive base away from heavy dependence on petroleum and imported inputs. Under the Structural Adjustment Programme (SAP), launched in 1986, trade policy is basically
directed towards trade liberalization and market-oriented reforms, despite remaining protective measures in certain areas.

(1) Nigeria in World Trade

5. Nigeria ranked 46th among world exporters and 57th among world importers in 1989, with a share in world merchandise exports of 0.3 per cent. Nigeria's exports are estimated to have grown much faster than world exports in 1990. Nigeria is both the biggest exporter and importer in Sub-Saharan Africa excluding South Africa.

6. Over 90 per cent of Nigeria's export earnings come from crude petroleum. Nigeria is estimated to be 9th among world exporters of fuels in 1989, accounting for about 3.5 per cent of world fuel exports.

7. Nigeria is also one of the world leading producers of cocoa beans, yams, taro, cassava, roots and tubers, sorghum, and millet. While Nigeria was the world's fourth largest exporter of cocoa beans in 1988, exports of other agricultural products have been either very limited or prohibited in order to secure domestic food supply.

8. Largely due to the fall in petroleum export volume and prices since 1981, Nigeria's merchandise exports in dollar terms declined sharply during the period 1981 to 1986 (Chart), resulting in rapid increases in external debt. Growth in both exports and imports turned upwards in more recent years, but the estimated value of merchandise exports and imports in 1990 was still only half their 1980 level.
9. Since 1986, the Nigerian Government has undertaken a series of trade and foreign exchange reforms under the Structural Adjustment Programme (SAP). They include trade liberalization measures such as elimination of import and export licences, reduction in the number of prohibited imports, removal of price controls, export promotion initiatives, and market-oriented changes in the foreign exchange system.

10. These reforms have contributed to substantial growth in Nigeria's real GDP in recent years (6.2 per cent in 1989), supported by growth in both oil and agricultural sectors. While Nigeria's external debt is still large ($33 billion total external debt stock in 1989), debt service ratio has been kept under the target rate of 30 per cent in recent years, as a result of successful debt rescheduling agreements.
11. However, despite various Government efforts to promote non-oil exports, heavy dependence on crude petroleum exports still continues (95 per cent in the first half of 1990), and progress in diversifying and increasing non-oil exports has so far been limited. Foreign investment in Nigeria, apart from the petroleum sector, has so far been limited despite a number of incentive schemes introduced by the present Government.

12. Heavy export dependence on crude petroleum limited the favourable impact of the sharp depreciation of the Nigerian currency on exports. While some effects of the depreciation are discernible in reduced import volume and changed composition of imported products, the total dollar value of Nigeria's imports has been essentially determined by the availability of foreign exchange, that is export earnings mainly from petroleum which are not susceptible to changes in the value of the Nigerian currency.

13. The greater part of Nigerian exports is directed to developed countries, especially the United States and the EEC. While most imports have also been supplied by developed countries, the share of developing countries has grown from about 10 per cent in 1977 to about 30 per cent in 1989. Asian developing economies now account for about 20 per cent. The share of Africa in Nigeria's total trade, particularly that of ECOWAS member countries, has also been growing, albeit to still less than 10 per cent. However, unrecorded trade with neighbouring African countries is estimated to be substantial.

(2) Institutional Framework

14. The Federal Republic of Nigeria is currently governed by a military Government. Federal laws are made by Decree of the Armed Forces Ruling Council (AFRC), of which the President is head. The military régime is scheduled to be replaced by a civilian Government by October 1992, when a new Constitution is to enter into effect.

15. Current Nigerian trade and investment policies are executed under various Decrees made by the AFRC. A vast number of Decrees relating to
trade and investment has been enacted in recent years. Although this indicates a high degree of transparency in the implementation of Government policies, the large number and frequent amendment of such Decrees reduce the predictability and stability of Nigerian trade and investment policies.

16. A number of Ministries and Government bodies are involved in formulating and implementing trade policies. The Nigerian Government has created numerous Councils and Committees to implement trade and investment policies. A part of customs inspection (preshipment inspection) is currently carried out by foreign firms. The Nigerian private sector also takes part in trade policy formulation through presence in various Councils and advisory bodies.

17. A Tariff Review Board has been created as an independent body to review the Government's trade policies, particularly the level of import duties. Members of the Board include representatives from both the public and the private sector. Industry requests for tariff protection are reviewed by the Board.

(3) Trade Policy Features and Trends

18. Nigeria became a contracting party to the GATT in 1960. It is a signatory to two of the Tokyo Round MTN Agreements (the Import Licensing Code and the Bovine Meat Arrangement), and an observer in seven other Tokyo Round Codes. Nigeria has been participating actively in the Uruguay Round.

19. Nigeria accords m.f.n. treatment to all countries, whether GATT contracting parties or not, except for South Africa imports from which are banned. Tariffs are currently applied to most of Nigeria's imports on an m.f.n. basis. Nigeria's participation in the GSTP is limited to concessions of lower duties or tariff binding for 10 items. The ECOWAS preferential tariff scheme is yet to be implemented.

20. Nigeria's exports receive GSP treatment from most developed countries, and ACP preferences from the European Communities. However,
certain agricultural products and/or textiles are often excluded from these preferences or subject to ceiling quotas.

21. Nigeria has bound only one tariff item (stockfish) under GATT. Since December 1989, Nigeria has banned the importation of all kinds of fish except those caught and landed by vessels licensed and authorized by the Nigerian Authority. In the Uruguay Round negotiations, Nigeria has offered the reduction of tariffs on a number of products.

(i) Recent evolution

22. The principal aim of Nigeria's reforms under its Structural Adjustment Programme (SAP) is to restructure and diversify the productive base of the economy and to reduce dependence on the petroleum sector and imports.

23. With respect to external trade, the reforms under the SAP have included elimination of the import and export licensing system, reduction of import prohibited items, and a more market-oriented exchange rate policy. A tariff reform was also introduced in 1988 to provide a more stable and predictable tariff régime through the establishment of a tariff structure for seven years. The Government also introduced a number of duty or tax concessions and other incentive schemes for non-oil exports and foreign direct investment in Nigeria.

24. In agriculture, the removal of price controls and the abolition of Commodity Marketing Boards for cocoa, cotton, grains, groundnuts, palm products and rubber helped to increase domestic production of many of these crops and their exports. However, little trade liberalization has been made in this sector, and a number of key agricultural products such as poultry, vegetables, fruits, rice, wheat, maize and processed wood have remained subject to import prohibition.

25. Despite various Government incentives to use local raw materials, Nigerian manufacturing industries, largely manufacturers of consumer
products, are still heavily dependent on imported raw materials. While certain sectors such as food, beverages and textiles have managed to increase local sourcing of raw materials, others like electrical and motor vehicle assemblies have suffered from increased difficulties in obtaining imported materials. Capacity utilization in a number of key manufacturing sectors remains at a very low level. For example, capacity utilization in electrical and steel industry is currently about 15 per cent of the installed capacity.

26. The Government continues to accord heavy assistance and subsidies for certain selected industrial sectors, such as steel, petrochemicals, and fertilizers. A high level of protection by either import prohibition or high tariffs remains in force for textiles and clothing, wood and cork, furniture, articles of jewellery, plastic ware, footwear, semi-manufactured steel products, batteries and certain other products.

27. Nigeria's major trade partners are developed countries, but initiatives to increase trade relations with developing countries have been taken in recent years. Nigeria has participated in the GSTP among developing countries, and supported the ECOWAS trade liberalization scheme. The move to formulate a free-trade area among the 16 West African member States of ECOWAS has been slow, and its impact on Nigeria's trade has been limited so far.

28. In recent years, some trade liberalization measures taken between 1986 and 1988 have been reversed. Tariff changes in 1989, 1990 and 1991 contained increases of import duties up to 100 to 300 per cent for certain products. Meat, chicken, and fish have been added to the list of absolute import prohibitions since December 1989. Reversing the 1986 reform, exports of timber, a number of food crops, raw hides and skins, and raw palm kernels have been successively banned since 1988.

29. Despite these setbacks, the Nigerian Government has expressed its determination not to abandon the process of deregulation and liberalization in its domestic economy, external trade and foreign exchange market.
Privatization and commercialization of major public enterprises have also been pursued with vigour, despite delays in the original schedules.

(ii) Type and incidence of trade policy instruments

30. As already mentioned above, a number of significant steps have been taken recently to liberalize and streamline Nigeria's trade and foreign exchange régime, and to reduce impediments to trade and investment. Deregulation of Government controls on price and marketing has resulted in the abolition of Commodity Marketing Boards and one major State-trading enterprise (although a number of important public enterprises remain), the suspension of countertrade, the privatization and commercialization of a number of public enterprises and many other measures.

31. Consequently, the current key trade policy instruments affecting Nigerian imports are import prohibitions and tariffs. However, foreign exchange allocation by the Central Bank is a major constraint on imports, as the private inflow of foreign exchange to the market is limited.

Prohibitions

32. Import prohibitions mainly affect key agricultural and industrial sectors where the Nigerian Government has been promoting domestic production. Prohibited products include most livestock products, major grains, vegetables, fruits, certain beverages, processed wood, textile fabrics, plastic products and others. The main GATT justification by Nigeria for these import prohibitions has been balance-of-payments reasons, noted below. Import prohibitions covered about 29 per cent of agricultural products and 20 per cent of industrial products (in terms of tariff line numbers) at the beginning of 1989. Meat, chicken, fish and some other products were added to the prohibition list in December 1989. It is not clear whether these measures were meant to support Nigeria's efforts to safeguard its external financial position temporarily, or to promote the industries concerned from a longer time perspective.
33. While import prohibition may have contributed significantly to encouraging domestic production in some of the protected sectors, it has not helped raise international competitiveness of those sectors, as evident from the slow growth of exports of these products. Import prohibition has also raised domestic prices of these products to the cost of consumers. Moreover, the distortion of resource allocation caused by the import prohibition has disrupted other sectors which use the prohibited items as raw materials. For example, the import ban on maize caused a shortage of feed for the poultry industry, and as a consequence poultry production in Nigeria has declined.

34. Import prohibitions have created vested interests not only among domestic producers of prohibited products, but also in smuggling activities of those products from outside the country. Where smuggling is substantial, the prohibition has only deprived the Government of tariff revenue. Recognizing the problem to some extent, the Government of Nigeria has replaced import prohibition by tariffs on cigarettes, articles of jewellery, and gaming machines since 1989.

**Tariffs**

35. Simple average tariff rates are currently 40 per cent for agricultural products and 36 per cent for industrial products. Much higher rates apply to those sectors which the Government aims to protect from external competition. Tariff peaks of 100 to 300 per cent apply to certain foodstuffs, cut flowers, beverages and spirits, tobacco, certain crude minerals, some steel products, certain chemical products, batteries, transport equipment, footwear, toys and some other products. On the other hand, tariff rates have been kept low and a duty drawback scheme is in place for certain raw materials needed for Nigerian local industries.

36. Tariff reforms in 1988 were meant to provide a stable long-term tariff structure for seven years up to 1994. However, tariff rates for a number of products have been modified every year since then. Predictability in the tariff régime has been greatly reduced by the absence
of binding of Nigerian tariff rates under GATT, except for one item, and the frequent modifications of tariff rates made at the Government's discretion.

37. Various surcharges make the nominal rate of protection higher than tariff rates. Currently, three import surcharges are levied together, composing a 7 per cent across-the-board surcharge.

38. Predictability and stability in the Nigerian tariff régime are also reduced by the fact that tariff rates incorporate landing charges equivalent to excise duties on domestic products. The system implicitly means that the rate of tariff protection can be raised or lowered without changes in nominal tariff rates, if excise duties are changed.

39. Higher than average tariff rates are applied to such categories as tobacco products, beverages and spirits, dairy products, foodstuffs, precious stones, footwear, textiles and clothing, soaps and detergents, steel products, batteries, passenger cars, and works of art. Relatively low tariff categories include a number of import-banned products, such as fruit and edible nuts, oilseeds, grains, meat and wood and cork. Relatively low rates are also applied to those products which are either abundantly available in Nigeria (e.g., coal, petroleum, hides and skins, and rubber), or difficult to obtain in local markets (e.g., non-electric machinery, transport equipment, professional instruments and chemical elements).

40. The level of effective protection for selected agricultural and industrial sectors in Nigeria may be much higher than what is suggested by average tariff levels or the nominal rate of protection. Effective rates of protection calculated by the Nigerian Government, although only indicative, indicate levels of sectoral protection varying from negative to about 1,000 per cent, much wider than nominal tariff ranges. This may support the argument that present tariff rates in Nigeria are so constructed as to give much higher effective protection for certain products than nominal tariff rates or nominal rates of protection, and that
distortion in output patterns is much greater than suggested by the nominal tariff structure.

Foreign exchange allocation

41. The Nigerian foreign exchange system has undergone fundamental changes from a Government-fixed exchange rate system to a more market-oriented exchange rate system since 1986. After a number of revisions of the system, the Central Bank of Nigeria currently uses the Dutch Auction system to allocate foreign exchange to authorized dealers.

42. While private sector receipts of foreign exchange can be sold directly to foreign exchange dealers, over 80 per cent of foreign exchange in the Nigerian market is provided from official sources. The total amount of foreign exchange offered by the Central Bank has been far short of demand, representing about 14 per cent of total demand in 1989. Reflecting the changes in the foreign exchange system and the persistent gap between supply and demand, the exchange rate of the naira fell sharply in recent years.

Other measures

43. Apart from tariffs and import prohibitions, other trade measures which currently affect Nigerian imports include pre-shipment inspection requirements, standards and other technical requirements, Government procurement, and various measures to encourage local sourcing of raw materials. Government subsidies are largely directed to agricultural production and selected public enterprises in industries such as steel, petroleum, and fertilizers. For example, since 1980 several billion dollars have already been spent for the construction of the Ajaokuta steel plant which is yet to be completed with more Government financing.

44. Export incentive schemes include a duty drawback scheme, export finance funds and export insurance schemes introduced under the Structural Adjustment Programme (SAP). However, as the Nigerian Government has
acknowledged in assessing the implementation of the SAP, little progress has been made so far in the implementation of these schemes.

45. Since 1988, export prohibitions have been reintroduced for certain crops and their derivatives, raw hides and skins, raw palm kernels, and processed or unprocessed timber and wood with a view to either avoiding their shortage in the domestic market or promoting local processing of them for exports.

(iii) **Temporary measures**

46. In 1982, faced with a sharp decline in oil export revenues and worsened external trade account, Nigeria invoked GATT Article XVIII:B for the first time for a number of trade restrictive measures introduced in the year for balance-of-payment reasons. The measures were meant to be temporary.

47. Some of the 1982 measures have been subsequently removed, and the list of import-prohibited items has been shortened. However, over 1,000 out of a total of about 5,000 tariff items (in terms of HS six-digit tariff items) still remain subject to conditional import prohibition on grounds of balance-of-payments reasons. A number of others are also subject to absolute import prohibition. The list of prohibited items has increased since 1989. In many cases, as noted above import prohibition is used as an effective means to protect and promote specific domestic producers.

48. Some tariff increases have been justified on the ground of a need to combat alleged dumping or subsidies on imported products. The Customs Duties (Dumped and Subsidized Goods) Act 1958 provides for necessary domestic procedures for counter-actions. However, for administrative reasons, import duties on these products have been raised against all countries, rather than solely against alleged exporters. The Nigerian Government is considering the review of the 1958 Act to give clear definitions of dumping.
New initiatives

49. Recognizing the limited progress in the implementation of various incentive schemes for non-oil exports, Government assistance has been reinforced in this respect. In his 1991 Budget Speech, the President of Nigeria announced increases in fund to the Duty Drawback Scheme and the introduction of a new bond scheme for importers of raw materials for production of exportable products. Export processing zones are planned to be established.

50. In order to encourage more foreign direct investment into Nigeria, the Government of Nigeria has recently offered a number of incentives, including tax exemption on dividends for 3 to 5 years. With effect from January 1991, restrictions on the repatriation of dividends and profits were removed.

51. In the Uruguay Round negotiations, Nigeria has shown particularly keen interest in negotiations on improving market access to trading partners in such area as agriculture, tropical products, natural resource products, and non-tariff measures. Nigeria has also been one of the leading countries seeking to promote the development of international rules on domestically prohibited goods and other hazardous substances.

Trade Policies and Foreign Trading Partners

52. A number of recent measures to liberalize Nigerian market and foreign exchange system have been received by Nigerian trading partners as a positive step to integrate Nigerian economy more closely into the world economy. These steps have injected dynamism in Nigerian economy and helped improve stability and predictability in Nigerian trade régime.

53. Increased international confidence in Nigeria's economy is evident from recent successful debt rescheduling arrangements with creditor nations and banks. Members of the GATT Balance of Payments Committee have also
expressed, in a recent meeting, their appreciation for Nigeria's efforts in trade and exchange liberalization.

54. The degree to which Nigeria is integrated into the multilateral trading system can, however, be further improved. A temporary derogation from GATT obligations for balance-of-payment reasons has been continuing since 1982. Although Nigeria is a signatory to the Tokyo Round Codes on Import Licensing and Bovine Meat, import prohibitions on a wide range of products including meat deprive Nigeria of the benefits which these Codes are meant to provide for member countries. Greater stability in the application of tariff rates, surcharges and landing charges, and a wider scope of tariff bindings, would constitute to transparency and predictability.

55. Import bans have harmed the interests of many of Nigeria's trading partners; for example, exports of wheat from the United States, stockfish from Norway, and many agricultural and textile products from neighbouring African countries. A recent increase in tariffs on a number of steel products up to 100 per cent is reported to have virtually halted imports of those products since the beginning of 1991.

56. Import and export prohibitions as well as excessively high tariff rates insulate a number of key agricultural and manufacturing industries from external competition. They may encourage or discourage domestic producers, irrespective of their efficiency and international competitiveness. They may also prevent the emergence of export activities, or reduce expected export earnings. Through the distortions they cause in the allocation of natural and financial resources, these protective policies are unlikely to contribute towards the objectives of diversifying the productive base of the Nigerian economy and to increase non-oil exports.

57. Nigeria knows only too well how protective trade policies by many countries have inflicted serious damage upon world trade. This is why Nigeria has actively participated in the Uruguay Round, particularly in
market access areas where protection in many developed countries still remains high. The main products of export interest to Nigeria are shared by many developing countries, such as roots and tubers, nuts, vegetable products, cocoa beans and cocoa products, rubber products, wood products, textile products, furniture and others.

58. The Uruguay Round is considered by Nigeria as offering the best prospect to help its efforts to promote and diversify exports, and to reduce the present excessive dependence on petroleum. Improved access in external markets of these products would also improve Nigeria's capability to import more and ease domestic pressures against further trade liberalization of its own.

59. For its part, Nigeria has embarked upon some significant economic and trade reforms on its own initiative to let market forces operate more efficiently, by removing certain Government controls on trade, foreign exchange, and investment. More thoroughgoing liberalization of the trade and exchange system would foster Nigeria's comparative advantage in trade and, by reducing distortions in production patterns and resource allocation, would benefit both Nigeria's domestic producers and consumers and its trading partners.

60. As the biggest economy and trading nation in sub-Saharan developing Africa, Nigeria's stable and balanced economic and trade growth will have important, positive effects on other African countries as well as on many other trading partners. Stronger integration of Nigeria's economy into the multilateral trading system and its firmer commitment to the system will contribute to mobilize international support to Nigeria's efforts to achieve these economic objectives.
I. THE ECONOMIC ENVIRONMENT

(1) Major Features of the Nigerian Economy

1. Nigeria is a West African coastal state, with a total area of 924 thousand square kilometres representing 3 per cent of the total area of Africa. Nigeria's population, estimated to be 109 million in mid-1990, is by far the largest in Africa and about twice Egypt's population, the second largest in Africa. The population is estimated to have grown by about 3 per cent annually throughout the 1980s (Table I.1).

2. Nigeria has the largest economy in Sub-Saharan Africa (except South Africa), with a GDP of US$21.5 billion in 1989. However, per capita GDP, which fell from about US$1,000 in 1980 to about US$200 in 1989, is currently among the lowest in Africa.

3. Agriculture currently accounts for about one third of Nigeria's gross domestic product and about two thirds of the labour force. Nigeria is one of the world's largest producers of yams, cassava, roots and tubers, sorghum and millet. Cocoa beans had been the single most important cash crops for exports. The Government is promoting policies aimed at self-sufficiency in food crop production, increased local sourcing of raw materials for manufacturing and increases in exports of processed cash crops including cocoa beans and palm kernels.

4. The country is richly endowed with petroleum, natural gas, coal and certain other mineral products. The most dramatic structural change in the Nigerian economy since its independence in 1960 has been the rapid growth of the petroleum sector in the economy, particularly in the export sector. Crude oil production in Nigeria started in 1958, and Nigeria became a member of OPEC in 1971. Between late 1973 and 1980, growth in petroleum production, export earnings and government revenue was considerable, and the petroleum sector grew to account for more than 90 per cent of Nigerian exports and over 70 per cent of government revenue (Chart I.1). In 1980, the export of crude petroleum corresponded to 27 per cent of Nigeria's Gross Domestic Product.
5. The high level of dependence on the petroleum sector for exports and government revenue made Nigeria's economy vulnerable to changes in world demand and prices for crude petroleum. As a consequence of declining demand and prices for crude petroleum in the early 1980s, Nigeria underwent a series of economic difficulties including strains on its balance of payments. Despite serious efforts to promote agricultural and non-oil industrial activities, especially under a Structural Adjustment Programme since 1986, the high level of dependence on crude petroleum for exports and government revenues remains virtually unchanged to date. Nigeria was the fifth largest exporter of crude petroleum among the OPEC members in 1988. In 1989, merchandise exports corresponded to about 38 per cent of GDP (merchandise imports to about 16 per cent), and crude petroleum accounted for about 93 per cent of merchandise exports. In the Federal Government budget of 1990, oil revenue was estimated at 81 per cent of total government income.

6. Although Nigeria has one of the largest manufacturing sectors in Africa, it only accounts for about 10 per cent of Nigeria's total GDP and employment. Major manufacturing industries are food, beverages and tobacco, textiles, paper products, soaps and detergents, metal products,
and vehicle assembly. While the production of soft drinks, synthetic fabrics, and soap and detergents has grown in recent years, the level of production in other sectors, particularly those which are heavily dependent upon imported materials like vehicle assembly, radio and television, has substantially declined. The share of manufactures in total Nigerian exports represents less than 1 per cent.

7. Services account for about 40 per cent of total GDP. Wholesale and retail trade are the main sectors in Nigeria's service activities. The external services and income account registered a considerable deficit in recent years (about US$4 billion in 1989), largely due to increased payments for shipment, interest on loans, consulting fees, and education.

8. In both goods and services, public enterprises have been playing a leading rôle in the Nigerian economy. The public enterprise sector at Federal level is estimated at about 30 to 35 per cent of GDP. Public investment has been focused on petroleum, steel, fertilizers, telecommunications and other services, and some other selective sectors. The Nigerian Government is currently promoting privatization and commercialization programmes for most of these public enterprises.

(2) Recent Economic Performance

9. The fall in petroleum exports in 1981 and the following years was substantial. Nigeria's export volume of crude petroleum fell from about 2 million barrels per day in 1980 to 0.9 million barrels per day in 1983, and their export values dropped from US$25 to US$10 billion. Nigeria's GDP declined by about 9 per cent in 1981 and 4 per cent in 1983, and the trade and current account balances recorded substantial deficits. In 1983, Nigeria's current account deficit and the government budget deficit reached about 6 and 12 per cent of GDP, respectively.

10. The current account and budget deficits were largely financed by public sector borrowing, withdrawal of international reserves, and accumulation of arrears on external trade payments. Total external debt increased from US$8.9 billion in 1980 to US$18.5 billion in 1983, and the total debt service ratio, as percentage of exports of goods and services, grew from 4.2 per cent to 23.8 per cent during the period.

11. In order to cope with the external and fiscal imbalances, the Government of Nigeria introduced a series of drastic measures to reduce imports since 1982 and cut budget expenditures since 1983 (Table I.2). In 1982, Nigeria, for the first time, invoked GATT Article XVIII for import restrictive measures for balance-of-payment reasons. Nigeria's merchandise imports in dollar terms fell by about 80 per cent from 1981 to 1986. The import reduction and cutbacks in public expenditures resulted in a
considerable contraction in non-oil GDP, particularly manufacturing and construction in 1983-1984, which contributed to a decline in overall GDP.

12. After a brief recovery in 1984-85, Nigeria's merchandise exports (in dollar terms) sharply declined again in 1986 by nearly 50 per cent largely due to the sharp fall in oil prices (Table I.3). In June 1986, the Nigerian Government launched a far-reaching Structural Adjustment Programme (SAP) chiefly aimed at restructuring and diversifying the economic base so as to reduce dependence on the petroleum sector and on imports. The main features of the Programme included reforms in the exchange-rate system, abolition of the import licensing system, reforms in pricing and marketing arrangements for agricultural products and privatization and commercialization of public enterprises. In 1988, the Government of Nigeria also introduced a major tariff reform, establishing the tariff structure for seven years.

13. As an immediate effect of the reforms, the US dollar value of the Nigerian currency, the naira, depreciated sharply, a development which has been continuing in following years. In 1989, the real effective exchange rate of the naira was about 85 per cent down from its 1985 level.

14. In 1988 and 1989, real GDP increased at 3.6 and 6.2 per cent annual rates, respectively. This acceleration in economic growth from the 1986-87 period was largely driven by an expansion in the volume of petroleum production, growth in agricultural (crop) production, and a certain recovery of manufacturing output (Table I.4 and Chart I.2). The improved performance of agriculture was related to favourable weather conditions and to increased incentives for the sector through the liberalization of marketing arrangements and price controls. According to the 1991 Budget speech of the President, economic growth continued in 1990 at a somewhat slower rate, with real GDP increasing by slightly above 5 per cent. The main sources of growth were considered to be agriculture, manufacturing, crude petroleum, finance and insurance.
15. Along with the sustained expansion of the economy, new jobs were created. According to a survey conducted by the Federal Office of Statistics in September 1990, unemployment stood at 3.2 per cent, down from 7.4 per cent in September 1987.

16. The acceleration of economic growth since 1987 was supported by expansionary policies, especially in the years 1987 and 1988. In tandem, inflation picked up sharply. The Government tightened its monetary policy in 1989, but the substantial increases in money supply in previous years, high inflationary expectations, higher velocity of money circulation, and higher prices for imported products as a result of currency depreciation worked to further push up the rate of inflation (CPI) to 41 per cent in 1989.

17. In 1987, fiscal policy had also been on an expansionary course, with the budget deficit (commitments) increasing by more than five percentage points to reach 8\% per cent of GDP (Table I.5). In 1989, mainly as a result of higher than expected revenue from the petroleum sector, the Federally collected revenues increased by more than 90 per cent. For the first time, a stabilization fund was created to sterilize petroleum revenue
in excess of US$16 per barrel of crude petroleum. Federally retained revenue rose from 13 per cent of GDP in 1988 to over 15 per cent, while total Federal expenditure dropped from 23 to some 21 per cent of GDP, reducing the deficit to about 6 per cent of GDP.

18. While total external debt continued to rise throughout the 1980s, the debt service ratio has been retained below the Government’s target ceiling of 30 per cent since 1986, as a result of various rescheduling arrangements with Nigeria’s external creditors. In 1989, total external debt stood at US$32.8 billion, corresponding to about 20 per cent of Nigeria’s gross national product (see Chapter III).

19. The impact of the depreciation of the naira on import prices coupled with continued foreign exchange shortages offset the import stimulating effect of the measures to liberalize trade since the launching of the SAP. Largely owing to reduced merchandise imports and, more recently, to the recovery of petroleum exports, Nigeria has maintained a trade account surplus since 1984. The Nigerian current account, which had registered substantial deficits in 1987 and 1988, moved into surplus in 1989. This surplus is estimated to have increased in 1990 (Table I.2).

(3) Trade Performance

20. Due to the predominant rôle of crude petroleum, Nigeria’s merchandise exports have fluctuated depending on changes in world demand and prices for crude petroleum over which Nigeria has little control (Chart I.3). Owing to the recent upward movement of petroleum prices, Nigerian merchandise exports are estimated to have grown, in dollar terms, by 39 per cent in 1989 and 37 per cent in 1990. However, at an estimated US$13 billion, the value of merchandise exports in 1990 did still not exceed half of its 1980 level (US$26 billion).

\[1\] All trade data in this report refer to recorded trade. However, as recognized by the Government of Nigeria, unrecorded imports and exports may be substantial, reflecting the long and difficult to control borders of the country.
21. Non-petroleum exports have largely consisted of primary commodities such as cocoa beans and rubber. World prices of most of these commodities, over which Nigeria has little control, were weak throughout most of the 1980s (Appendix Table AI.1)

22. As already mentioned, Nigeria's imports declined drastically in the mid-1980s. While the value of merchandise imports has increased in recent years, the estimated 1990 level (slightly over US$7 billion) was still less than one half of the highest record of about US$19 billion in 1981.
Commodity pattern of trade

23. Crude petroleum has contributed over 90 per cent to Nigeria's foreign exchange earnings from merchandise exports in recent years (Table I.6). The share of non-oil exports temporarily increased in the mid-1980s when exports of crude petroleum stagnated. However, in the course of rapidly expanding crude petroleum exports, the share of non-oil exports declined again to about 7 per cent of total merchandise exports in 1989, and an estimated 5 per cent during the first half of 1990.

24. Non-oil exports consist mainly of cocoa beans and cocoa butter, rubber, palm kernels, hides and skins, fertilizers, shrimps and prawns. Exports of fertilizers, shrimps and prawns started only in 1988. Exports of cocoa beans recently suffered from sluggish world demand which led to a fall in prices. Certain other traditional export items like peanuts, palm kernel oil, tin and precious metals have become less important in Nigeria's export mix. With a view to promoting the export of processed products, the Government of Nigeria has prohibited exports of raw hides and skins since 1990, and exports of palm kernels since the beginning of 1991.

25. In the context of an overall decline in the value of merchandise imports, data of the Federal Office of Statistics of Nigeria indicate that machinery and transport equipment have maintained a share of around 40 per cent (Table I.7). Principal import items within the category have been machines for special industries, power generating machinery, motor vehicles spare parts and passenger cars. Iron and steel products, paper products, manufactured rubber and certain other manufactures make up for another 20 to 25 per cent of total merchandise imports. The share of chemicals increased from about 15 per cent to well over 20 per cent during the period. In contrast, the share of food and live animals in total imports declined from about 19 per cent in 1984 to about 7 per cent in 1989, largely reflecting the fall of imports as a result of import restrictions and prohibitions on such products as wheat, rice, maize, and malt. Reflecting the decline in the share of food items, consumer goods now account for less than 30 per cent of total merchandise imports.

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2 A listing of the 50 leading products in Nigeria's merchandise trade is presented in Appendix Table AI.2.
(ii) **Regional pattern of trade**

26. The vast majority of Nigerian trade has been conducted with developed countries (Table I.8 and Chart I.4). Over 90 per cent of petroleum exports and about 80 per cent of Nigeria's total merchandise exports have been directed to the United States and the EC. Sources of imports are more diversified, but about 50 per cent of imports come from the EC and about 10 per cent from the United States.

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3 A listing of the 40 leading partners in Nigeria's merchandise trade is presented in Appendix Table AI.3.

4 Unless otherwise stated, data in this section is based on IMF, Direction of Trade, Yearbook, 1990.
Chart I.4
Main trading partners of Nigeria, 1989
Percentage

Imports

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>11.1</td>
</tr>
<tr>
<td>France</td>
<td>8.5</td>
</tr>
<tr>
<td>Japan</td>
<td>5.5</td>
</tr>
<tr>
<td>United States</td>
<td>10.3</td>
</tr>
<tr>
<td>USSR</td>
<td>3.8</td>
</tr>
<tr>
<td>Other</td>
<td>7.1</td>
</tr>
<tr>
<td>Africa</td>
<td>3.8</td>
</tr>
<tr>
<td>Asia</td>
<td>19.5</td>
</tr>
<tr>
<td>Developing</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>13.2</td>
</tr>
<tr>
<td>Other</td>
<td>15.2</td>
</tr>
<tr>
<td>Other</td>
<td>12.5</td>
</tr>
</tbody>
</table>

Exports

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>46.2</td>
</tr>
<tr>
<td>USSR</td>
<td>0.4</td>
</tr>
<tr>
<td>Other</td>
<td>1.1</td>
</tr>
<tr>
<td>West, H'Sphere</td>
<td>9.7</td>
</tr>
<tr>
<td>Africa</td>
<td>5.6</td>
</tr>
<tr>
<td>Developing</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>10.7</td>
</tr>
<tr>
<td>Germany</td>
<td>6.0</td>
</tr>
<tr>
<td>France</td>
<td>4.0</td>
</tr>
<tr>
<td>Canada</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Source: IMF; Direction of Trade, Yearbook, 1990.
27. Except for 1984 and 1985, the United States has been the largest market for Nigerian exports, in particular Nigeria's single largest petroleum market. In 1989, other major markets for Nigeria's exports were Spain, Germany, France, Canada and the Netherlands.

28. Among developing countries, the share of Africa in total imports grew from 1.8 per cent in 1980 to 5.6 per cent in 1989. The largest markets for Nigerian exports in Africa are Ghana and Côte d'Ivoire, both of which are members of ECOWAS. Each of these two countries accounted for about 2 per cent of total merchandise exports of Nigeria in 1989.

29. While there have been large fluctuations in the shares of individual trading partners in Nigeria's total exports of merchandise, over time, the sharpest long-term decline occurred in the case of the United Kingdom. Its share dropped from over 14 per cent in 1975 to 2 per cent in 1989, reflecting a steep fall in exports of crude petroleum to this country as the United Kingdom has expanded its own petroleum output.

30. The largest exporter of merchandise to Nigeria has been the United Kingdom, although its share declined from about 19 per cent in 1980 to about 13 per cent in 1989. Other major suppliers to Nigeria in recent years include Germany, the United States, France, Japan and Italy.

31. While the majority of Nigeria's imports has been supplied by developed countries, the share of developing countries grew from about 10 per cent in 1977 to about 30 per cent in 1989. In particular, the share of imports from Asian developing economies (Hong Kong, India, Taiwan and others) in total imports of merchandise increased from about 5 per cent in 1977 to about 20 per cent in 1989, and that of African countries from about 1 to about 4 per cent. Within Africa, the main import sources have been Cameroon, Niger, Senegal and Côte d'Ivoire, all of which except Cameroon belong to ECOWAS.5

(4) **Outlook**

32. According to the 1991 budget, the Government of Nigeria expects real GDP growth of 6 per cent in 1991. The Government target is to bring inflation down to a rate of 8 per cent. Total collected revenue of the Federal Government for 1991 is projected to reach about ₦ 68.7 billion.

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5According to data from the Office of Statistics of Nigeria, apart from these four countries, other African countries such as Angola, Liberia, and Sudan were also major exporters to Nigeria in 1988. However, the data shows large fluctuations of imports from these countries during the 1980s.
Federally retained revenue is budgeted with $38.8 billion and expenditure with $38.7 billion, leaving a surplus of about $100 million, compared with a deficit of $22.3 billion for 1990.

33. These projections are based on the assumption of an average crude petroleum price of US$21 per barrel in 1991. In these circumstances, the Government would expect foreign exchange revenue of US$11.9 billion. The budget provides a total US$7.4 billion (out of which US$5.4 billion from official sources) for imports for 1991.
II. TRADE POLICY REGIME: OBJECTIVES AND FRAMEWORK

(1) General Framework

34. Nigeria is a Federation consisting of 21 States and a Federal Capital Territory. Since August 1985, the Federal Republic of Nigeria has been governed by the Federal Military Government headed by President Ibrahim Babangida. The Government has announced that the present military government would be transferred to a civilian government by October 1992, in accordance with the Transition to Civil Rule Programme.

35. Currently, provisions for political activities in the existing Nigerian Constitution have been largely suspended or modified by the Constitution (Suspension and Modification) Decrees of 1984 and 1985. The new Constitution was promulgated in May 1989, and it is to enter into force on 1 October 1992. Federal laws are currently made by decree of the Armed Forces Ruling Council (AFRC), headed by the President. State laws are made by the Governor of the State by edict. When there is a conflict between Federal law and State laws, Federal law prevails.

36. Executive authority is vested in the President and exercised in consultation with the AFRC. Under the President, the National Council of Ministers executes government policy within the framework laid down by the AFRC. The Council is appointed by the AFRC, and headed by the President.

37. Under the new Constitution, the legislative powers of the Federal Government will be vested in a National Assembly which consists of a Senate and a House of Representatives. The executive powers of the Federation will be vested in the President and be exercised by him either directly or through the Vice-President or Ministers of the Government or other public officers.

38. Under the new Constitution, the National Assembly shall have power to make laws with respect to trade and commerce, in particular,

- trade and commerce between Nigeria and other countries;

- establishment of a purchasing authority with power to acquire designated agricultural produce for export or sale in world markets;
- inspection of produce to be exported from Nigeria and the enforcement of grades and standards of quality in respect of produce so inspected;

- establishment of a body to prescribe and enforce standards of goods and commodities offered for sale;

- control of prices of goods and commodities designated by the National Assembly as essential goods or commodities; and

- registration of business names.

(2) Structure of Trade Policy Formulation

(i) Legislative and executive branches of Government

39. The Armed Forces Ruling Council (AFRC), which currently makes Federal laws by decree, is composed of the President and 20 other members who are appointed by the President. Since its creation in 1985, the AFRC has been exclusively composed of military officers.

40. The National Council of Ministers, the executive branch of the Government, is composed of the President, Chief of General Staff and 25 Ministers (Chart II.1). Members of the Council are appointed by the AFRC, and include a number of civilians. The Council meets from time to time to consider national issues and to implement decisions taken by the Government. A decision by the Council may be overruled by the President as he can take the final decision in any policy.
Chart II.1
Legislative and executive branches of the Government of Nigeria

**Legislative branch**
(Federal affairs)

<table>
<thead>
<tr>
<th>The Armed Forces Ruling Council (AFRC)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chairman:</strong> the President</td>
</tr>
<tr>
<td><strong>Members:</strong></td>
</tr>
<tr>
<td>- the Chief of General Staff</td>
</tr>
<tr>
<td>- the Minister of Defence</td>
</tr>
<tr>
<td>- the Chiefs of Army, Naval and Air Staffs</td>
</tr>
<tr>
<td>- other military officers</td>
</tr>
<tr>
<td>- such other members as the Council may from time to time appoint</td>
</tr>
</tbody>
</table>

(State affairs)

<table>
<thead>
<tr>
<th>The National Council of State</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chairman:</strong> the President</td>
</tr>
<tr>
<td><strong>Members:</strong></td>
</tr>
<tr>
<td>- the Chief of General Staff</td>
</tr>
<tr>
<td>- the Minister of Defence</td>
</tr>
<tr>
<td>- the Chiefs of Army, Naval and Air Staffs</td>
</tr>
<tr>
<td>- the Inspector General of Police</td>
</tr>
<tr>
<td>- the Military Governors of the States</td>
</tr>
<tr>
<td>- such other members as the AFRC may from time to time appoint</td>
</tr>
</tbody>
</table>

**Executive branch**

<table>
<thead>
<tr>
<th>The National Council of Ministers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chairman:</strong> the President</td>
</tr>
<tr>
<td><strong>Members:</strong></td>
</tr>
<tr>
<td>- the Chief of General Staff</td>
</tr>
<tr>
<td>- the Attorney-General</td>
</tr>
<tr>
<td>- Ministers as the AFRC appoints</td>
</tr>
</tbody>
</table>

State Governments

Committees, Councils etc.

**Source:** Government of Nigeria.

41. Principal Ministries and agencies responsible for the administration of trade policies are the Presidency, the Ministry of Finance and Economic Development, the Ministry of Trade and Tourism, the Ministry of Budget and Planning, the Ministry of Industries, the Ministry of Agriculture, the Department of Customs, the Central Bank of Nigeria, the Ministry of External Affairs, and the Ministry of Mines, Power and Steel. The Ministry of Trade and Tourism plays a principal rôle in coordinating various Ministries and agencies to formulate trade policies. Inter-Ministerial meetings are held on a case-by-case basis to coordinate policies of various Ministries.
42. Local governments may enact edicts or by-laws concerning trade and commercial relations, but if they are in conflict with Federal decrees the latter will prevail. In practice, the National Council on Trade and Tourism, which meets once a year, plays a rôle of coordinating policies at Federal and local levels.

43. The Nigerian Export Promotion Council, chaired by the Minister of Trade and Tourism, is composed of both Government officials and representatives of private associations such as the Chamber of Commerce and the Manufactures Association. The Council is the primary organization responsible for the administration of various incentive schemes and measures aimed at encouraging exports. It is also responsible for administering the Export Development Fund and other schemes for financial assistance to Nigerian exporters (for details, see Chapter IV).

44. Approvals for the establishment of new industries, including foreign direct investment in Nigeria, are now granted by the Industrial Development Co-ordination Committee (IDCC), an inter-Ministerial body to co-ordinate approval procedures (see Chapter III for foreign direct investment).

(ii) Advisory bodies

45. The private sector of Nigeria is involved in trade policy formulation by way of consultations with the Government representatives from the private sector participate in trade-related seminars, workshops, conferences and inter-Ministerial meetings.

46. Various bodies give advice to the Government on trade policies. They include the National Council on Trade and Tourism (see below), the National Focal Point on Multilateral Trade Matters, the Nigerian Chamber of Commerce of Industries, Mining and Agriculture (NACCIMA), the Manufacturers' Association of Nigeria (MAN), the Association of Nigerian Exporters, the Nigerian Association of Small-scale Industrialists (NASSI), and the Export Commodity Co-ordinating Committee (ECCC).

(iii) Review bodies

47. In 1988, a Tariff Review Board was established to review requests for changes in import duties. Members of the Board include representatives from both the public and the private sectors. The Board is attached to the Presidency, but independent of the Government. In 1989, the Tariff Review Board was directed by the Government to keep the level of tariff protection in constant focus and offer local manufacturers protection against dumping and unfair competition.
48. There is also a Tariff Review Committee composed of experts from relevant Government departments. The Committee attends to petitions received from corporate bodies and individuals requesting tariff revisions on particular products. It also advises the Government to take appropriate tariff measures to suit specific economic policies of the Government.

49. In 1988, the Government established the Policy Analysis Department within the Federal Ministry of Industries. The functions of this Department are to undertake the collection of data and to conduct economic research and analysis necessary for the evaluation of the effectiveness of industry policy. For example, the Department carried out a study on indicative effective rates of protection for selective Nigerian industries (see Chapter V).

50. The National Council on Trade and Tourism (NCTT) holds annual conferences with the participation of the Minister of Trade and Tourism, State Commissioners responsible for trade and tourism, and representatives of the organized private sector. They deliberate on Government trade policies and make recommendations to the Government.

(3) Trade Policy Objectives

(i) General trade policy objectives

51. In 1986, faced with acute economic problems as a result of rapidly falling oil prices, the Nigerian Government embarked upon a radical economic and trade policy reform called the Structural Adjustment Programme, in close collaboration with the International Monetary Fund and the World Bank. The Programme initially covered the period from July 1986 to June 1988, but thereafter the Government has continued to pursue the objectives under the Programme.

52. The major objectives of the Programme are:

- to restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and on imports;

- to make substantial progress towards fiscal and balance-of-payments viability over the period;

- to lay the basis for substantial non-inflationary growth;

- to lessen the dominance of unproductive investments in the public sector, improve the sector's efficiency and intensify the contribution of the private sector to economic growth;
to attract fresh capital and new investment from the external sector; and

to encourage exports.

53. Specifically, with respect to imports, the chief objectives are to ensure the availability of raw materials and capital goods which cannot be obtained from domestic sources. To those products available locally, either import bans or high tariffs are applied. With respect to exports, the central objectives are growth and diversification of exports, particularly in manufactures, through export promotion.

54. The principal measures adopted under the Programme included a reform of the exchange-rate system (see Chapter III), the elimination of import licensing, import prohibition on certain products, tariff reforms, and commercialisation and privatization of public enterprises (see Chapter IV). These measures were implemented on the basis of the Government's recognition that the over-valuation of the Nigerian currency, Naira, had been the single most important obstacle to the restructuring of the Nigerian economy and that a system of bureaucratic controls applied to trade flows was not only cumbersome but also led to distortions in resource allocation.¹

55. The Government of Nigeria has also initiated various programmes to promote non-petroleum exports with a view to reducing heavy dependence on petroleum exports. Apart from reform of the exchange rate, various other measures to promote such exports as described in Chapter IV have been implemented.

(ii) Sectoral trade policy objectives

(a) Agriculture

56. The objectives of the Government's agricultural policies are set out in an official guideline, "Agricultural Policy for Nigeria", issued by the Federal Ministry of Agriculture in February 1988. They include the following objectives which are closely related to the trade policies of the Nigerian Government:

- attainment of self-sufficiency in basic food commodities (specific target periods are set for the attainment of the

¹See the statement made by Nigeria in the Committee on Balance-of-Payments Restrictions on 15 October 1986 (BOP/268).
self-sufficiency goal for the main crops, fish and livestock (see Chapter V));

- increased production of agricultural raw materials to meet the growing needs of an expanding industrial sector. Import substitution of agricultural raw materials by local production is directed by the Government; and

- increased production and processing of export crops.

57. In concurrence with these objectives of agricultural policy, the Government of Nigeria pursues the following two main objectives through its trade policy:

- to promote agricultural exports both as a way of export diversification and as a means to develop the agricultural sector; and

- to discourage importation and encourage local production of all food and raw materials that the country has the resources to produce.

58. In order to attain these objectives, the Government of Nigeria has been providing various incentives and support services for the production and exportation of agricultural commodities. The Government also uses tariff regulations and selective import prohibitions to promote agricultural exports and discourage non-essential imports. In particular, tariff regulations and import prohibitions are used to promote local sourcing of raw materials.

(b) Industry

59. The objectives of the Government’s industrial policies are set out in an official guideline, "Industrial Policy for Nigeria", issued by the Federal Ministry of Industries in December 1987. They include the following objectives which are closely related to the trade policies of the Nigerian Government:

- increased export of manufactured goods;

- improving the technological skills and capability available in the country;

- increased local content of industrial output;

- attracting foreign capital; and
increased private sector participation in the manufacturing sector.

60. Of these objectives, increasing the local content of Nigerian industrial output through increased use of local raw materials is given a high priority in Nigerian trade policies. An increase in the level of local sourcing of raw materials is considered by the Government to be vital for raising capacity utilization of Nigerian industries. The use of local raw materials is promoted by the Government through various measures and incentives, including import prohibitions and high tariffs. The Government has also been encouraging research and development of identified raw material substitutes or alternatives through the Raw Material Research and Development Council.

61. While pursuing import substitution for raw materials, the Government of Nigeria has also introduced a variety of measures to encourage exports of manufactured products, including greater access to foreign exchange, fiscal and financial incentives, and preparation for free trade zones. Exports of certain raw materials such as raw hides and skins have been banned for the same objective.

4) Trade Laws and Regulations

62. There are a number of decrees governing trade and investment in Nigeria. A list of major decrees is attached in Appendix Table AII.1.

63. Import duties, import prohibition lists and excise duties are contained in the Customs, Excise Tariff, etc. (Consolidation) Decree 1988, as amended. The Decree has been amended in 1989, 1990 and 1991, modifying import duty rates for certain products and the import prohibition lists.


65. Foreign direct investment in Nigeria is regulated by the Nigerian Enterprises Promotion Decree 1977, as amended. In order to encourage foreign capital inflow, the Nigerian Government recently amended the Decree to reduce the number of enterprises exclusively reserved for Nigerians for the purpose of 100 per cent equity ownership.

66. The GATT has not been directly incorporated into Nigerian laws, and therefore the legal rank of obligations under the GATT in the domestic
legal system is not clearly established in Nigerian laws. However, it is the Government's view that GATT obligations are secondary to those under the Constitution.

(5) **Trade Agreements and Arrangements**

(i) **Multilateral agreements**

67. After having achieved independence on 1 October 1960, Nigeria was deemed, by the Declaration of the GATT CONTRACTING PARTIES of 18 November 1960, to be a contracting party to the GATT as from the day of independence and to have acquired the rights and obligations under the GATT of the United Kingdom in respect of its territory as from that date.

68. Nigeria accords m.f.n. treatment to all countries, whether contracting parties to GATT or not, except for the Republic of South Africa.

69. Nigeria has participated in a number of multilateral trade negotiations under the GATT, including the Tokyo Round and the Uruguay Round negotiations.

70. Nigeria is a signatory to two of the Tokyo Round MTN Agreements (Arrangement Regarding Bovine Meat and Agreement on Import Licensing Procedures), and holds observer status to other Tokyo Round Agreements (Agreements on Technical Barriers to Trade, on Government Procurement, on Subsidies and Countervailing Measures, on Anti-dumping, on Trade in Civil Aircraft and on Customs Valuation, and International Dairy Arrangement).

71. Nigeria is a member of the United Nations and several other multilateral organizations related to trade and finance, such as UNCTAD, the International Monetary Fund, and the World Bank. Nigeria participates in the international commodity agreements for cocoa, coffee and natural rubber. Nigeria is also a member or a signatory of various international agreements and organizations, such as the Organization of Petroleum Exporting Countries (OPEC), the Association of Tin Producing Countries and the International Cotton Advisory Committee.

(ii) **Regional agreements**

72. The Nigerian Government has been encouraging and participating in African regional and sub-regional economic groupings, aimed at developing intra-African trade.

73. Nigeria is one of the founding members of the **Economic Community of West African States** (ECOWAS). ECOWAS aims at facilitating trade among its
16 West African member nations and at promoting joint development efforts. It has, in principle, agreed to form a free-trade area by gradually reducing tariffs and non-tariff barriers among member nations, and subsequently transforming it into a customs union with a common tariff schedule towards all non-members. In January 1990, the establishment of the "ECOWAS Trade Liberalization Scheme" was agreed upon, according to which free movement of specified goods is to be allowed among the member countries.

74. Nigeria is also a founding member of the Association of African Trade Promotion Organizations (AATPO), set up to promote intra-African trade through the development of the African Trade Information Network, the organization of trade fairs and African trade missions and other programmes. Nigeria is a member of the Inter-African Coffee Organization and the West African Groundnuts Council.

(iii) Bilateral agreements

75. Nigeria maintains bilateral trade agreements with a number of countries. Bilateral trade agreements for a five-year term with the Soviet Union, the Czech and Slovak Federal Republic, Kenya and the Democratic Republic of Germany (before German unification) will expire in 1992, respectively. Nigeria also maintains trade agreements with a five year term with India (valid until 1993), Pakistan (valid until 1993), Jamaica (valid until 1994), Zimbabwe (valid until 1994), Bulgaria (valid until 1995) and Uganda (valid until 1995). These agreements are meant to promote mutual trade and cover certain products of export interest to Nigeria, such as several agricultural products, mineral resources (tin ore, zinc, crude petroleum, coal, etc.), products, chemicals, pharmaceuticals and other manufactured products such as canned food, shoes and leather ware.

76. Nigeria has concluded an Investment Promotion and Protection Agreement with France, and intends to conclude similar agreements with some other countries for the purpose of mutually guaranteeing investments by their citizens. Under the investment guarantee agreements, the repatriation of the imported capital investment is guaranteed in the event of socio-political changes affecting such investments.

(iv) Other agreements or arrangements

77. Nigeria is a signatory to the Lome Convention between the European Communities and developing countries of Sub-Saharan Africa, the Caribbean and the Pacific area. According to the Convention, Nigeria is granted duty-free access to the EC market for exports of all industrial products and agricultural products which are not subject to a common market organization in the framework of the EC's Common Agricultural Policy.
78. Nigeria is a signatory to the Agreement on the Global System of Trade Preferences (GSTP) amongst developing countries. The agreement was signed on 13 April 1988 by 48 developing countries and entered into force on 19 April 1989 for the first 15 countries including Nigeria. Nigeria conceded lower tariffs for imports from other participating countries of a certain number of products, including medicaments and certain machinery.
III. TRADE-RELATED ASPECTS OF THE FOREIGN EXCHANGE REGIME

79. The determination of the exchange rate of the Nigerian currency, the naira, vis-à-vis other currencies is now based primarily on demand and supply conditions in the foreign exchange market. The Nigerian Government's policy with respect to the exchange rate is "to positively influence the underlying real factors which effect the demand for and supply of foreign exchange and not to directly and administratively fix some preferred rates for the economy". ¹

80. The major shift to the market-based foreign-exchange system from the previous Government-fixed exchange rate system started with the Structural Adjustment Programme launched in June 1986. As a major element of the Programme, the Government of Nigeria introduced a Second-Tier Foreign Exchange Market (SFEM), which consisted of the auction rate operated by the Central Bank of Nigeria and the autonomous interbank rate. The system allowed the naira to depreciate substantially, reflecting the prevailing market forces for foreign exchange.

81. In July 1987, the "first tier" official exchange rate was phased out, and a single Foreign Exchange Market (FEM) was created, whereby the Central Bank of Nigeria auctioned foreign exchange, derived mostly from oil revenue, to commercial and merchant banks every two weeks. In order to attract additional foreign-exchange inflows from autonomous sources such as non-oil exporters, the Central Bank of Nigeria authorized an interbank market to operate with a market-determined rate. Frequent changes in the regulations governing the auctions in 1987 increased the complexity of the system and made it more restrictive. An increasing differential opened up between the "official" auction value of the naira and its value on the autonomous interbank market (in December 1988, the official rate was N5.4 per US$1, while the autonomous market rate was N 8.3 per US$1) (Table III.1).

82. In January 1989, the fortnightly auction system was replaced by a daily auction system of Interbank Foreign Exchange Market (IFEM) with a view to unifying Nigeria's exchange system under a market-determined exchange rate. The unified foreign-exchange system consisted of a dealer market and a daily allocation of foreign exchange to that market by the Central Bank of Nigeria at the prevailing market exchange rate. The Central Bank of Nigeria established four criteria on which it would fix the

¹See the President's Budget Speech of 1 January 1991.
applicable exchange rate (the central rate): these include simple and weighted averages of submitted quotations, the highest bank quotations, and "intelligent reports" on exchange rate movements during the previous day in Nigeria and abroad.

83. As funding of the official market fell far short of the private sector's demand, unauthorized parallel markets proliferated. In August 1989, in order to enlarge the scope of the official market for foreign-exchange transactions, and to increase the transparency of the parallel market, the Government approved the establishment of bureaux de change to be operated by private persons. The measure was specifically intended to accord legal recognition to small dealers in the parallel exchange market and to provide free access to foreign exchange by small buyers. During the first eleven months of 1990, the total selling by 50 bureaux de change amounted to US$99 million, representing about 4 per cent of the foreign exchange disbursed by the Central Bank of Nigeria during the period.

84. With a view to introducing more disciplines in banks' quotations for foreign exchange, the Central Bank of Nigeria (CBN) decided to introduce the Dutch Auction System with effect from 14 December 1990. Under the new system, authorized dealers can bid only for their customers and not for themselves. They submit their customers' bid rates to the CBN every Wednesday for amounts applied for from their customers before bid rates are quoted to the CBN. They will be debited at their quoted rates plus 1 per cent exchange equalization levy, and be allowed to sell at such rates allowing for a maximum of 1 per cent spread between buying and selling rates.

85. The Central Bank of Nigeria also decided to regroup authorized dealers (107 banks) into 6 categories according to their asset size. The categories and percentage allocations of foreign exchange for each bank are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of banks</th>
<th>% allocation for each bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>3</td>
<td>4.70</td>
</tr>
<tr>
<td>II</td>
<td>7</td>
<td>2.10</td>
</tr>
<tr>
<td>III</td>
<td>13</td>
<td>1.65</td>
</tr>
<tr>
<td>IV</td>
<td>12</td>
<td>1.30</td>
</tr>
<tr>
<td>V</td>
<td>30</td>
<td>0.80</td>
</tr>
<tr>
<td>VI</td>
<td>42</td>
<td>0.45</td>
</tr>
</tbody>
</table>

Inter-bank transaction or hoarding of foreign exchange is not allowed.
86. All licensed commercial banks and merchant banks are authorized dealers in the foreign exchange. They are empowered to deal in foreign currencies and to approve applications in accordance with guidelines set by the Central Bank. Bureaux de change are also empowered to buy and sell foreign exchange which is privately sourced. Some hotels are also authorized buyers of foreign exchange.

87. Foreign exchange buyers apply directly to the authorized dealers in accordance with a set of regulations (see below (2) Foreign Exchange Allocation). The foreign exchange thus bought must be used to pay for eligible transactions under the regulations.

(1) Exchange Rate Movements and Trade

88. Reflecting the radical changes in the foreign-exchange system introduced since 1986 and the persistent gap between the supply and demand for foreign exchange, the nominal exchange rate of the naira has fallen sharply from N 1.0 at the end of 1985 to N 9.5 in March 1991. The real effective exchange rate of the naira in 1989 was about one seventh of the rate in 1985 (period averages; Chart III.1).
89. Following the change in the system in January 1989, there were 243 bidding sessions in 1989 and 248 bidding sessions in 1990 (January to November), compared with 25 in 1988. The total amount of foreign exchange offered for sale by the Central Bank was US$2,291 million in 1989, while the total amount of demand by banks was US$17,490 million. Throughout the year 1989, the naira's exchange rate against the United States dollar depreciated by 30 per cent. Total disbursements of foreign exchange in 1990 were US$2,511 million (Chart III.2).

Table III.3 shows some examples of access to foreign exchange by sectors, based on a sample survey conducted by the Manufacturers Association of Nigeria (MAN). As seen from the Table, for the majority of cases, the actual amount of foreign exchange represented between 20 and 70 per cent of the amount of foreign exchange applied for during the period 1987 to 1989.
90. The rapid depreciation of the naira had noticeable effects both on imports and non-oil exports particularly in 1987. As Table III.2 shows, import volume declined by 24 per cent and non-oil export volume increased by 87 per cent in 1987. However, trade trends in 1988 and 1989 suggest that the impact of further depreciation has been offset by other factors, in particular in the case of non-oil exports.  

91. According to the MAN's survey, access to foreign exchange, as determined by the availability of the naira to procure foreign exchange, was considered a critical factor in affecting capacity utilization in Nigerian manufacturing sectors. Although a direct correlation between import dependency for raw materials and capacity utilization was denied, the survey nevertheless showed that sectors highly dependent on imports

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3 The data is based on official statistics of the Nigerian Government. The official data may lead to the underestimation of the effects of the naira's depreciation both on imports and exports, as a substantial part of Nigerian trade is believed unrecorded.
such as electrical and electronics, iron and steel, and motor vehicles, registered very low levels of capacity utilization (see Chapter V).

92. The depreciation of the naira on exports appears to have contributed to increases in non-oil exports from ₦2.1 billion in 1987 to ₦2.9 billion in 1989. Export growth has been particularly noticeable for food and live animals (except for 1989), chemicals and other manufactured goods. However, the impact on non-oil exports has been limited in scope in view of the fact that, in 1989, 93 per cent (95 per cent for the first half of 1990) of total merchandise exports were petroleum and petroleum-related products whose exports were not affected by changes in the value of the naira.

(2) Foreign Exchange Allocation

93. The current Nigerian system of foreign exchange allocation is depicted in Chart III.3. Over 80 per cent of foreign exchange in the Nigerian foreign exchange market has been provided from official sources.

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In this respect, the Central Bank of Nigeria made a different conclusion from its own survey, affirming the correlation between capacity utilization and import dependency for raw materials. According to the survey, while industrial groups which depended largely on local raw materials (e.g. tyres and tubes, leather products, beer and stout, and textiles) operated at above the average rate of capacity utilization, enterprises with a high ratio of imported inputs (e.g. radio, television and communication equipment assemblies, paints, and vehicle assembly) operated at less than one-third of their installed capacity. See Annual Report and Statement of Accounts, Central Bank of Nigeria, 1989, page 30.
Chart III.3
System of foreign exchange allocation
in Nigeria, 1991

Official sources

$9.9 billion

Central Bank

$3 billion

External debt service

$1.5 billion

Reserves

$5.4 billion
(Dutch Auction System)

Authorised exchange dealers

$2 billion

Private sources

Bureau de change

$7.4 billion

Importers

Source: Government of Nigeria.

94. The Central Bank allocates a substantial part of official foreign-exchange receipts to foreign-exchange dealers after deduction for official payments abroad (debt service and settlement of pre-SFEM private sector transactions) and targeted accumulation of international reserves (Chart III.4). Private sector receipts can be sold directly to foreign exchange dealers. Authorized dealers must sell foreign exchange obtained through the market at a margin of not more than 1 per cent of the buying rate.
95. Total foreign exchange receipts for 1991 are estimated at US$11.9 billion (US$9.9 billion from the public sector and US$2 billion from the private sector). Out of the US$9.9 billion public sector receipts, US$5.4 billion will be allocated for domestic use including funding of the foreign-exchange market, US$3 billion for external debt service payment, and US$1.5 billion for accretion to external reserves. The receipt from the private sector will be wholly retained in the private sector to supplement funding of the foreign exchange market.

96. Looking from the other end, Nigerian importers can obtain foreign currency within the limit of the total foreign exchange available. In order to obtain foreign currency, a Nigerian importer must submit a letter to an authorized exchange dealer requesting purchase of foreign currency with a pro forma invoice and a completed import registration format, Form "M" (see Chapter IV). The previous requirement of paying in advance, in local currency, 25 per cent of the assessed import duty was abolished in 1986.

97. The exchange dealer then bids for foreign currency to the Central Bank of Nigeria at the customer's bidding rates. As mentioned already, the
Central Bank of Nigeria currently allocates foreign exchange through the Dutch Auction system. When the purchase of the foreign currency is completed, the exchange dealer opens a letter of credit for the importer. Due to the excess demand for foreign exchange, importers frequently have to obtain their foreign currency from several exchange dealers, adding further constraints in the import process.

98. Until the end of 1989, all imports valued at US$5,000 or more were subject to preshipment inspection. The minimum value for preshipment inspection was lowered to US$1,000 in 1991 (see Chapter IV). Unless a "Clean Report of Findings" on the goods to be imported has been issued, foreign exchange may not be released.

99. Payment for imports covered by confirmed letters of credit is made by foreign correspondent banks on behalf of Nigerian banks. Such payment is made on the understanding that the goods will arrive in Nigeria and that all shipping documents relating to the import of the goods are lodged by importers with the authorized exchange dealer as agents of the Nigerian Government within 21 days of negotiation of the specified documents. Bills of entry must be submitted to the authorized exchange dealer within 90 days of the negotiation and payment by foreign corresponding banks. All other means of payment require submission to the authorized exchange dealer of the full set of documents, showing receipt of the goods in Nigeria. Delivery of foreign exchange for a valid purchase (spot) order must take place within three working days of the date of the purchase contract.

100. All new imports of machinery and other capital equipment valued at more than US$1 million are required to be on the basis of deferred payment arrangements with down-payment of a maximum of 15 per cent of the invoice value. Payment of the remaining portion will be spread over a period not less than six months.

101. The validity of an approved Form "M" and the relevant letters of credit shall not be extended more than once. The initial life of an approved Form "M" is 180 days except for machinery, plant and equipment for which the initial validity period is one year with a possible extension of six months.

102. Exporters are required to open domiciliary accounts marked "Export Proceeds" into which all non-oil export proceeds are fully credited. Export proceeds should be repatriated and credited to the "Export Proceeds" Domiciliary Account not later than 90 days from the date of shipment of goods.

103. The Nigerian Government's guidelines on the receipt and mode of payment for exports have been frequently changed in recent years.
Effective from 1 January 1991, all non-oil exporters are allowed to have the option to export on the basis of either confirmed and irrevocable letters of credit, bills for collection, open account, or any other internationally-accepted payment mode. However, whatever the mode of payment adopted, exporters are required to repatriate the relevant proceeds within 90 days from the date of shipment of the consignment.

104. With effect from January 1990, oil bunkers are required to surrender 100 per cent of the foreign exchange proceeds of oil bunkering to the Central Bank of Nigeria in return for the naira equivalent.

105. Permissible limits for technical service charges, management fees and royalties range from 1 per cent to a maximum of 5 per cent and approval by the Federal Ministry of Finance and Economic Development is required for such transactions. A maximum of 20 per cent is allowed for consultancy fees and is limited to technological projects of a very high level for which domestic expertise is not available. The maximum limit of home remittance for expatriates is 75 per cent of salary net of tax.

106. The basic allowance for tourist travel is US$500 per year per person of the age of 16 years and above, and for business travel, US$5,000 per trip per enterprise. The importation and exportation of the naira are prohibited. Declaration of foreign currency imports of more than US$5,000 or its equivalent is required for statistical purposes.

107. In his budget speech of 1991, the President of Nigeria announced that as a means to promote local sourcing of raw materials, the Government would, as from 1991, closely monitor the use of foreign exchange by industrialists (see the section on local content requirement in Chapter IV).

(3) Foreign Direct Investment and Trade

108. The Government of Nigeria maintains a basic policy of welcoming foreign capital, in particular in the manufacturing sector, and offers a number of incentives for foreign investment in Nigeria. One of the main components of Government strategy to attract foreign capital has been the liberalization of access to foreign exchange for individuals and companies provided through the Foreign Exchange Market (FEM).

109. From 1987 to 1992, new foreign investment in Nigeria is exempt from taxation on dividends for 3 years. If the company is engaged in agricultural production within Nigeria or the production of petro-chemicals or liquefied natural gas, the tax free period will be extended to 5 years. With effect from 1 January 1991, the Nigerian Government has eliminated
restrictions on the repatriation of *bona fide* dividends and profits in order to encourage direct foreign investment.

110. The minimum level of foreign participation in joint ventures was increased to US$250,000 or N 2 million with effect from January 1991.

111. Ceilings for foreign capital participation in the equity capital of enterprises in various sectors of the economy have been set by the Indigenization Decree of 1972, as amended. In order to open up further areas for foreign investment, the Nigerian Enterprises Promotion Decree of 1977 (NEPD) was amended in 1988. In the amended Decree, only one list, instead of the former three, of scheduled enterprises exclusively reserved for Nigerians has been retained (Annex Table AIII.1). The activities reserved for 100 per cent Nigerian ownership include assembly of radios, TVs and other electric domestic appliances, manufacture of travel goods, poultry farming, garment manufacture, grain mill products, manufacture of jewellery, and a number of services including transportation and communication services. In any unscheduled enterprises, foreigners and Nigerians alike are free to own up to 100 per cent equity, separately or in partnership. Foreigners are allowed to invest even in the scheduled enterprises with a minimum capitalisation of N 20 million for large-scale production for exports.

112. To streamline and facilitate the inflow of direct capital investment, the Government created an inter-Ministerial committee called the Industrial Development Coordinating Committee (IDCC) in January 1989. The Committee's functions include granting approvals for the commencement of new businesses and relevant expatriate quota, approving technology transfer agreements and advising on the administration of Government industrial incentives. The Committee is required by decree that every application for the establishment of new industries shall be processed within 30 days. The requirement for locational approval has been abolished.

113. The Nigerian Government has concluded an Investment Promotion and Protection Agreement with the Government of France. Similar agreements are considered to be concluded with other developed countries.

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5The Committee comprises the following Ministries: Finance, Internal Affairs, Trade, Science and Technology, Agriculture, Industries, and Employment, Labour and Productivity. The Committee is located in the Federal Ministry of Industries.

6Businesses with a capitalization of N 5 million and above are entitled to a maximum automatic expatriate quota of two positions, while those with a capitalization of N 10 million and above are entitled to four automatic quota positions. All other requests for expatriate quota are considered on merit.
114. According to the Central Bank of Nigeria, inflow of foreign direct investment rose sharply from N 1.9 billion in 1988 to N 14.1 billion in 1989. However, about 90 to 95 per cent of foreign direct investment during the period 1987 to 1989 is estimated to have been related to the oil sector, accounted for mainly by the purchase of the Nigerian Government’s shares in oil companies by foreign companies. Other sources of foreign investment were reinvested earnings of oil companies and proceeds from debt conversion. The data shows that very little new foreign direct investment in non-oil sectors took place in recent years despite the Government’s efforts to attract it. Detailed data have not been available from the Nigerian Government, but the Government says that the Asian countries are now gaining prominence in foreign direct investment in Nigeria. Hitherto, the United Kingdom had been the principal investor.

(4) External Debt and Trade

115. Nigeria’s total external debt stock rapidly increased through the 1980s from about US$9 billion in 1980 to about US$33 billion in 1989 (Chart III.5). The 1989 debt level represented 119 per cent of Nigeria’s GNP. About one half of total external debt currently comprises publicly guaranteed long-term debts from private creditors. The Federal Government’s obligations constitute about 85 per cent of total external debt outstanding, and the rest is mostly debt of State Governments; the private sector’s share in total external debt represents only about 1 per cent.
116. The ratio of total debt service to exports of goods and services reached a peak of 33.8 per cent in 1984, and continued to register about 33 per cent in 1985-86. The ratio fell to 13.3 per cent in 1987 but rose again to 29 and 21.3 per cent in 1988 and 1989, respectively. The Nigerian Government has recently been pursuing a debt management policy to maintain the debt service ratio below 30 per cent.

117. About one third of official foreign-exchange revenue has been allocated for debt servicing in recent years. After additions to foreign exchange reserves, the amount of foreign exchange allocated for the foreign-exchange market represented about one half of official foreign
exchange revenue.\(^7\) For 1991, official foreign-exchange receipts are estimated to be US$9.908 billion out of which about US$3 billion will be allocated for debt service, US$1.5 billion for accretion of reserves, and US$5.4 billion for domestic use. Available foreign exchange for Nigerian imports was thus greatly reduced because of the large size of external debt servicing.

118. In January 1991, the third debt rescheduling agreement was reached with Paris Club creditor nations, covering debt servicing of US$3.3 billion due up to March 1991. In March 1991, the Government of Nigeria is reported to have reached agreement with London Club commercial bank creditors on a rescheduling and buy-back arrangements covering about US$5.8 billion of bank debt. With the rescheduling, Nigeria's debt service ratio is expected to be kept under the 30 per cent target in 1991.

\(^7\)According to the Central Bank of Nigeria, Nigeria's foreign-exchange reserves at the end of November 1990 stood at US$3,579 million.
IV. TRADE POLICIES AND PRACTICES BY MEASURE

(1) Overview

119. Prior to the Structural Adjustment Programme (1986), Nigeria's main trade policy instruments were quantitative import restrictions through import prohibitions and a comprehensive licensing system. The 1986 Programme introduced both a market-oriented exchange rate and trade policy reforms with a view to promoting economic efficiency and restoring balance-of-payments equilibrium and price stability. More specifically, the Programme was designed to expand non-oil exports, reduce the import content of locally manufactured products, achieve self-sufficiency in food, and give larger a role to the private sector.

120. The foreign exchange system was reformed. The list of import prohibitions was reduced. The import and export licensing system, and the Commodity Marketing Boards were abolished and the 30 per cent import surcharge, which had been introduced in January 1986, was also abolished. Import procedures were greatly simplified. Price controls were removed except for a few products which are mostly Government-subsidized items. A programme of progressive privatization or commercialization of State-owned companies was announced.

121. Despite the general trend towards liberalization in trade and foreign exchange regimes, the allocation of official foreign exchange by the Government continues to largely set the overall limit to imports. Nigeria still maintains a number of trade restrictive measures, including high tariffs for certain products and import prohibitions on many agricultural products, textiles and several other products. Import prohibitions and high tariffs are used as the major trade instruments to achieve Government objectives such as self-sufficiency in agriculture and protection of local industries. Tariff escalation is widespread across the product range. Although the 1988 tariff reform was intended to provide a stable long-term tariff structure for 7 years up to 1994, a number of selective changes have been made every year since then. Landing charges, equivalent to excise duties, are included in tariffs for a number of products. Various surcharges add to the protection extended through the tariff. Apart from import prohibitions, other non-tariff measures which currently affect Nigerian imports include pre-shipment inspection, standards and other technical requirements, national preferences in Government procurement, and various measures to encourage local sourcing of raw materials.

122. The reform of the exchange rate system was also to promote non-oil exports in order to reduce the country's high dependence on oil exports. With this objective in mind export duties and licenses were phased out, the
Commodity Marketing Boards eliminated, a duty drawback scheme implemented, and the Nigerian Export Promotion Council reorganized. However, the Nigerian Government has reintroduced export controls on certain agricultural and forestry products in recent years in order to secure domestic food supply and to promote exports of processed products.

123. Various other measures to promote certain sectors with long-term growth potential have also been introduced. They include "pioneer" status tax concessions, Government subsidies and assistance for research and development. These policies largely target the agricultural sector, particularly food crops, and public enterprises in industrial sectors, particularly petroleum, steel, fertilizers and services.

(2) BOP consultations under GATT

124. In April 1982, the Government of Nigeria introduced a number of measures for balance-of-payments reasons, including the prohibition of imports of frozen chicken and gaming machines, more restrictive import licensing, tariff increases on a number of products, and compulsory advance deposits for imports.

125. In notifying these measures to the GATT, Nigeria emphasized their temporary nature and that the measures were designed to prevent further sharp decline in Nigeria's foreign exchange reserves, and to raise the level of reserves reasonably (L/5425). Nigeria claimed that these measures had been necessitated by external circumstances including a deterioration of the terms of trade, the global economic recession and the sharp decline of oil revenue. The Government of Nigeria pledged that it would eliminate these measures as soon as the situation improved.

126. Nigeria consulted on these import restrictions for balance-of-payments reasons with the GATT Committee on Balance-of-Payments Restrictions in April 1984. The Committee recognized that Nigeria faced a serious balance-of-payments problem, and that the measures taken during the period 1982-84 had been introduced in view of the urgency of the situation. However, the Committee pointed out that there was considerable scope for further simplification of the measures and greater transparency in the implementation of the system. It encouraged the Nigerian authorities to pursue policies of economic stabilization and diversification of production and exports which would lead to a sounder external position and permit the progressive elimination of the measures maintained for balance-of-payments reasons (BOP/R/139).

127. Subsequent to the 1984 consultation, simplified consultations with the BOP Committee were held in October 1986, in October 1988 and in March 1991. As explained in the following paragraphs, a number of
important changes have been made with respect to Nigeria's import régime in recent years, and certain trade restrictive measures have been removed. In the simplified consultation of March 1991, members of the Committee welcomed the liberalization of trade and exchange restrictions pursued to date by Nigeria. However, they also noted that a number of restrictions introduced for balance-of-payments reasons remained in force. Nigeria expressed its readiness to hold a full consultation with the Committee, but a timetable for the full consultation has not yet been established.¹

(3) Measures Directly Affecting Imports

(i) Registration and documentation

128. Traders are required to obtain a registration Form "M", which is issued by the Central Bank or commercial banks under guidelines administered by the Central Bank. It is only after Form "M" has been registered that an importer can confirm his order to the seller, letters of credit can be opened and foreign exchange can be allocated. Form "M" is generally valid for 180 days. Authorized dealers may grant an extension for another 180 days. In the case of machinery, plant and equipment made to specifications, the initial validity period is one year and can be extended for a maximum period of six months.

129. All shipping companies or agents operating in Nigeria must register with the Nigerian Ports Authority and must give at least two months' detailed notice of proposed sailings to Nigeria.

130. The import of drugs, food, cosmetics and device products are subject to specific health standards and sanitary regulations including registration of these products, import inspection and surveillance, and laboratory analysis of imported products.

(ii) Tariffs

131. In 1986, in the context of the Structural Adjustment Programme, interim reductions in tariffs were introduced. These interim changes

¹In the following presentation, the various measures affecting Nigeria's trade will be classified into three groups, namely those directly affecting imports, exports, and production and trade. However, this classification is adopted only for expositional purposes, and is not to suggest that the effects of any policy are limited to only imports, exports or production. In this context it should be borne in mind that any policy which creates incentives or disincentives for one activity will also have implications for other activities or sectors due to the interlinkages in the economic system.
remained in effect until a comprehensive review and reform of the tariff schedule was completed in 1988.

132. In January 1988, Nigeria introduced a completely new tariff system through the enactment of the Customs, Excise Tariff, etc. (consolidation) Decree 1988, designed to rationalize, harmonize, and restructure the tariff system. Based on the Harmonized Tariff Classification, the new system established the structure of tariffs to be applied by Nigeria for seven years from 1988 up to 1994. The Decree also contains import prohibition lists.

133. According to the Decree, the President of Nigeria may, by Order, modify any import or excise duty. An Order by the President of Nigeria may also differentiate between sources of supply for the purpose of implementing any agreement between Nigeria and other countries or international organizations.

134. During the period 1989 to 1991, the Government of Nigeria introduced a number of changes in import duties by Decree. In January 1989, as part of measures to raise Government revenue and to discourage smuggling, some products were removed from the list of import prohibition, and import duties for these items were substantially raised. There were also substantial increases on duties for a number of products mainly to protect domestic industries. At the same time, the tariff revision in 1989 included the elimination of duty on iron ore and substantial reduction in duties for intermediate products used in local industries.

135. In 1990, import duties were raised to 200 per cent for various starches (from wheat and maize, peptons, etc.), primary cells and batteries, and electric lamp bulbs and glass envelopes for these bulbs.

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2The products are cigarettes, articles of jewellery and precious metals, gaming machines and particle boards. Import duties have been raised to 200 per cent for cigarettes and articles of jewellery and precious metals, to 100 per cent for gaming machines, and to 50 per cent for particle boards.

3The products include footwear, sorghum, cigars, perfumes, calendars, some iron and steel articles, aluminium plates, some industrial machinery, various paper, glass and ceramic products, motorcycles and bicycles and mosquito repellent coils.

4For example, import duties have been reduced for battery parts (from 45 to 25 per cent), cold rolled and hot rolled sheets (from 20 to 10 per cent), and tin plates (from 45 to 20 per cent). An import duty on component parts of commercial vehicles and tractors (excluding parts of cars and motorcycles) has been reduced from 25 to 5 per cent as a means to reduce the cost of transportation. Moreover, import duties have been reduced for certain other products such as milk powder and fats, refractory bricks, sheet glass and marine engines.
Substantial duty changes, either increases or decreases, were made for a number of other products.

136. The 1991 tariff changes included increases of the duties on a number of semi-manufactured steel products and uncoated kraft paper and paperboard. Duties on crude or unrefined salt, certain textile fabrics, certain bricks and several other products were reduced.

137. According to the Government of Nigeria, the revenue collected from import duties, including a 7 per cent import surcharge on all products, amounted to ₦3.2 billion in 1987. Duties thus contributed about 13 per cent to revenue of the Federal Government.

(a) Form of tariffs

138. Nigeria currently applies ad valorem tariffs to all imported products.

139. Certain products are subject to a landing charge. This charge is included in the customs duty set out in the Schedule of the Customs Decree. It is meant to correspond to excise duties levied on domestically produced substitutes.

(b) Average tariff level

140. Based on tariff rates applied as of January 1991, simple average tariff rates are 36.4 per cent for all products; 40.1 per cent for agricultural products; and 35.8 per cent for industrial products. These tariff averages include landing charges, but exclude any surcharges. The 1991 averages for both agricultural and industrial products are higher than in 1989, particularly for agricultural products (Chart IV.1).

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Import duties have substantially been increased for cycle frames and forks, non-mechanically propelled vehicles, lids, toothbrushes, office hardware and some others. There were reversals of the 1989 tariff reductions for cycle chains and aluminium foil. On the other hand, the 1990 changes have included tariff reductions for a number of products such as tin-plated metal sheets, wood in the rough, wood pulp, some paper intermediates, unmachined engine sleeves, vessel parts for breaking, fertilizers and insecticides.
141. Simple average tariff rates by product category for agricultural and industrial sectors are shown in Table IV.1 and IV.2. Within agricultural products, the highest tariff average rate (200 per cent) is applied to tobacco products, followed by beverages and spirits (73.7 per cent), fish (54.5 per cent), dairy products (46.4 per cent), other agricultural products of animal origin (46.2 per cent), and foodstuffs (42.7 per cent). Within industrial products, the highest tariff average of 188.5 per cent is applied to precious stones (jewellery etc.), followed by footwear and travel goods (74.2 per cent), textiles and clothing (72.2 per cent), and work of art (60 per cent). A few of these high-tariff items are subject to import prohibition.

(c) Tariff range

142. The tariff reform of 1988 envisaged a two-step procedure. The tariff changes introduced in 1988 were to remain in force for the period 1988 to 1991. In 1992 the tariff structure would be further modified, reducing high rates of duty and increasing any rates of 5 or 10 per cent to a minimum of 15 per cent. By 1994, the spread of tariffs on industrial products would thus be generally between 15 and 60 per cent as against 5 to 90 per cent at the beginning of 1988; the spread for most

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**Chart IV.1**

Simple average tariff rates in Nigeria, 1989 and 1991

<table>
<thead>
<tr>
<th></th>
<th>1989</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>35.2%</td>
<td>35.8%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>38.7%</td>
<td>40.1%</td>
</tr>
</tbody>
</table>

Source: Government of Nigeria and GATT Secretariat estimates.
semi-manufactured products and capital goods would be between 15 and 40 per cent.

143. However, as already mentioned, between 1989 and 1991, import duties for several product categories were increased from the former range of 10 to 100 per cent to 25-300 per cent. Prominent examples include primary cells and batteries (from 70 to 300 per cent), fluorescent (from 50 to 300 per cent), starches (from 30 to 200 per cent), sorghum (from 20 to 100 per cent), jewellery (from 100 to 200 per cent) and toothbrushes (from 35 to 70 per cent).

(d) Tariff escalation

144. The Nigerian tariff structure shows a degree of tariff escalation both for agricultural and industrial products. While escalation is not very pronounced, tariff averages for raw materials for both agricultural and industrial products are higher than those for semi- or fully-manufactured products (Chart IV.2).

Chart IV.2
Tariff escalation for agricultural and industrial sectors of Nigeria, 1991

<table>
<thead>
<tr>
<th>Per cent</th>
<th>Raw materials</th>
<th>Semi-manufactured</th>
<th>Manufactured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>36.6</td>
<td>42.3</td>
<td>43.7</td>
</tr>
<tr>
<td>Industry</td>
<td>27.4</td>
<td>35.4</td>
<td>37.2</td>
</tr>
</tbody>
</table>

Source: Government of Nigeria and GATT Secretariat estimates.
145. Tariffs on raw materials are relatively high in product categories such as textiles (cotton and synthetic fibres), precious stones, vegetables, fruits, cocoa, sugar, fish, crustaceans, tobacco, and other agricultural products of animal origin. Some of these raw materials are also subject to import prohibition.

146. The tariff structure across stages of production varies considerably depending on the product category. In certain categories, tariff averages for semi-manufactured products are lower than for raw materials (e.g. fertilizers). In other cases, tariff averages for manufactured products are lower than for semi-manufactured products (printed matter, non-electric machinery, chocolate, compared with paper, steel, and cocoa paste).

(e) Tariff bindings

147. According to the schedule of bindings of Nigeria to GATT, Nigeria has bound only one tariff item, namely stockfish at 2d per pound weight. In 1988, the ad valorem equivalent of the duty on stockfish was 50 per cent.

148. Under the Agreement on the Global System of Trade Preferences (GSTP), Nigeria has bound the tariffs on medicaments at 25 per cent, and on weaving machines and knitting machines at 10 per cent.

(f) Tariff preferences

149. Nigeria is a signatory to the Agreement on the Global System of Trade Preferences (GSTP) which was signed by 48 developing countries in 1988 and entered into force on 19 April 1989 for 15 developing countries including Nigeria. Under the Agreement, Nigeria granted concessions of lower tariff rates or bindings for a total of 10 items (on a HS four digit basis) including medicaments, cars (below 1800 cc) and trucks. The concessions are contained in Table IV.3. These concessions are extended to all participants in the GSTP on an m.f.n. basis.

150. The Economic Community of West African States is to become a free trade area. At a later stage, the 16 member States intend to create a customs union. The "ECOWAS Trade Liberalization Scheme", which will allow the free movement of goods among member countries, was scheduled to be implemented with effect from January 1990. However, apparently the tariff preferences have not yet been put into practice.

151. The Lomé Convention provides for unilateral preferential duty treatment for imports from ACP countries, including Nigeria, into EC Member countries.
(g) Tariff concessions

152. With a view to promoting exports, the Government of Nigeria has introduced certain schemes of import duty suspension for imported materials used in producing export goods. The latest step has been the Duty Drawback and Suspension Scheme (for details see section (4) below).

(iii) Customs valuation and preshipment inspection

153. Nigeria has observer status in the GATT Committee on Customs Valuation.

154. Importers are required to pay duties to the representatives of the Accountant-General at the ports of entry. All imports valued at US$1,000 or more (inclusive of freight, but not insurance) as well as all containerised imports, except those specifically exempted by the Government of Nigeria, are subject to preshipment inspection. Until the end of 1990, the threshold had been US$5,000. In January 1991, the President of Nigeria, announced the revision of the scope of exemption from preshipment inspection in order to prevent importers from circumventing the laws.

155. According to the Government of Nigeria, the purposes of preshipment inspection are to ensure that all imports are of a quality and quantity in line with the contracts and that only the normal price of that product in the country of supply is paid so that capital flight (over-invoicing of imports) or inadequate payment of duty (under-invoicing) is prevented.

156. The Nigerian Government has entrusted the nation's authority on customs valuation to foreign firms. All preshipment inspections are currently handled by four foreign inspection companies designated according to countries or areas of shipment. When preshipment inspection is required, the Nigerian Government will send Form "M" and a copy of the pro forma invoice directly to the inspection company concerned, which then will contact the seller to arrange for inspection of the goods. The inspection company will check whether, within reasonable limits, the goods concerned and their prices are in conformity with the pro forma invoice. When satisfied, the agency will issue a "Clean Report of Findings (CRF)". Otherwise, a "non-negotiable report of findings" will be issued.

157. According to the Central Bank of Nigeria, the value of Forms "M" passed for pre-shipment inspection in 1989 was US$5.4 billion (Table IV.4). About 20 per cent of this amount was related to goods not valid for foreign exchange (mostly raw materials, machinery and spare parts). The total value of goods for which Clean Report of Findings were issued in 1989 was
US$3.3 billion, about 87 per cent of the actual imports of Nigeria in 1989. The rest was not subject to the pre-shipment requirements.

158. Together with a clean report of findings, the foreign inspection companies file "Import Duty Reports", to verify the amount of duty to be paid.

159. The requirement of an advance payment of 25 per cent of import duty was abolished in 1988. However, for import contracts based on bills for collection, open accounts and unconfirmed letters of credit, banks have been requested to ensure that foreign exchange is not released without confirmation that the correct import duty is paid by the importer.

(iv) Tariff quotas and variable import levies

160. Nigeria does not maintain any tariff quota or variable import levy on imports.

(v) Other levies and charges

(a) Import surcharges

161. Nigeria applies several import duty surcharges. Three import surcharges, namely the Port Development surcharge (5 per cent), the Shippers' Council surcharge (1 per cent), and the Raw Materials and Development Council surcharge (1 per cent), are levied together as a 7 per cent across-the-board surcharge by the Department of Customs and Excise. These surcharges are used for the maintaining of the services of these bodies.

(b) Excise duty and landing charge

162. With a view to protecting local industries and removing the disadvantage imposed by excise duty on locally produced goods, the Government of Nigeria decided in 1988 to levy landing charges equivalent to excise duties on products which compete with local goods subject to excise duty. At present, the excise duty is charged on about 160 items (four-digit HS basis). The duty is levied at the point of production in the case of domestic products, and at the point of import, as a component of customs duty, in the case of imported products.

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6 The figure does not reflect an accurate relation between the value of imports which was subject to the pre-shipment inspection in 1989 and the total actual imports in 1989, due to the time-lag between the inspection and actual imports.
163. There are six categories of rates of the excise duty on these products: 5, 10, 15, 20, 30, and 40 per cent of their pre-excise value ex factory. The 5 per cent rate applies to more than two-thirds of the excisable products. In 1989, excise duty on beer and stout, spirits, wines and cigarettes was raised from 30 to 40 per cent with a view to increasing Government revenue. An illustrative listing of current rates of excise duties is presented in Table IV.5.

164. When excise duties on certain products were increased in 1989, the Government of Nigeria did not raise tariff rates for these products accordingly. While most products concerned were then subject to import prohibition, the increase in excise duty without changing tariff rates implicitly meant that the nominal rate of tariff for these products was reduced equivalent to the increase in excise duty.

(vi) **Minimum import prices**

165. In 1986, as part of the Structural Adjustment Programme, the price control functions of the Productivity, Prices and Incomes Board were terminated. Accordingly, all price controls on private enterprise were removed, including those on factory gate prices and on mark-ups for imported goods. No minimum import prices are currently applied.

(vii) **Import prohibitions**

166. In 1986, the Nigerian Government substantially reduced the number of items in the import prohibition list from 72 to 17 broadly defined product categories (excluding those banned items for reasons of national security or public health, safety or morality). Upon review, the 1988 Customs Schedule listed altogether 20 product categories under the category of absolute prohibition of imports, and 18 product categories under the category of conditional prohibition. The prohibition list still covered a substantial number of agricultural and industrial products as the definition of the items on the list was very broad.

167. Some changes in the list were made in 1989. As from January 1989, cigarettes, articles of jewellery and precious metals, gaming machines, and particle boards were removed from the prohibition list. On the other hand, branched alkyl benzene and bentonite and barytes were added to the

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7The import ban apparently increased the incentive to smuggle these products into Nigeria. The decision to replace the ban by tariffs was therefore based on a consideration that tariffs, if not excessive, would discourage smuggling and contribute to Government revenue. As noted above, the bans were replaced by tariffs of 50 to 200 per cent.
prohibition list in view of the fact that local production was far in excess of domestic demand. In December 1989, the Government added meat, chicken, fish and some other food products to the prohibition list of products whose import is absolutely prohibited. For 1991, the President of Nigeria announced in his budget speech that there would be no changes in the existing list of import prohibitions.

168. In terms of HS tariff lines at the six digit headings, the number of items under conditional import prohibition was about 1,000 as of January 1989, accounting for about 21 per cent of total tariff items. The number is currently greater as meat, chicken, fish and some other products were added to the list in December 1989 (due to unavailability of HS code number of these products, they are not included in the total number of prohibited items). The prohibited items represent about 29 per cent of all agricultural items (HS Chapters 01 to 24), and 20 per cent of all industrial items (HS Chapters 25 to 97).

(a) Absolute prohibition of imports

169. The importation of a certain number of goods is prohibited for reasons of national security or public health, safety or morality. Air pistols, airmail photographic printing paper, counterfeit coins, cowries, indecent or obscene prints, and second-hand clothing are examples. The complete list of products is contained in Schedule 4 of the Nigerian Tariff (Table IV.6). As mentioned above, in December 1989, the Government issued an Import (Prohibition) Decree (Decree No.36), adding the following products:

- Meat (whether frozen or not);
- Chicken (whether frozen or not);
- Fish (whether frozen or not except those caught and landed by vehicles licensed and authorized by the appropriate Nigerian Authority);
- Expired food products (whether in cans or any other packages);
- All imported foodstuffs for which the Nigerian Authority has issued a Certificate of contamination with any toxic or nuclear substance or any other harmful waste.

170. The 1989 Decree absolutely prohibits the importation of certain foodstuffs into Nigeria especially those contaminated by toxic substance or other harmful waste as defined in the Harmful Waste (Special Criminal Provisions, Etc.) Decree 1988. In this way, the Government of Nigeria intends to prevent imports of goods which are prohibited in exporting countries.
(b) Conditional prohibition of imports

171. Nigeria prohibits imports of a large number of products for balance-of-payments reasons, unless they are brought into the country as personal effects. These products include poultry, eggs, vegetables, processed wood, fruits, textile fabrics and articles thereof, plastic articles and wares, soft drinks and beverages, rice, maize, wheat, sparkling wines, vegetable oils, aluminium sulphate, used tyres and branch alkyl benzene (Schedule 3 of the Nigerian Customs Decree, as amended; Table IV.7).

172. These import prohibitions mainly apply to agricultural and textile products, which are also locally produced. These measures thus serve as an important instrument to promote local sourcing of raw materials for manufacturing and import substitution in Nigeria. Conditional import prohibitions are also justified by the Government of Nigeria on the grounds of national food security.

(c) Measures to prevent smuggling

173. Despite import prohibition, a number of goods in the import prohibition list have been sold in Nigerian local markets. The Nigerian Government has noted that large-scale smuggling of prohibited goods has continued unabated in spite of various efforts to prevent smuggling. Stiff penalties are imposed for the importation, transportation, storage, display or sale of prohibited items.

(viii) Import licensing

174. Nigeria is a signatory to the GATT Agreement on Import Licensing Procedures concluded during the Tokyo Round negotiations.

175. On 29 September 1986, as a major component of the Structural Adjustment Programme, the Government of Nigeria abolished import licensing requirements. Currently import licensing exists only for the importation of "controlled substances" such as narcotic drugs, psychotropic substances, certain chemicals and other specified goods, on safety grounds.

(ix) Import quotas

176. Currently, there are no products subject to import quotas.

(x) Import surveillance

177. The Government maintains the Comprehensive Import Surveillance Scheme (CISS) through preshipment inspection for import transaction valued at
US$1,000 and above including those financed by off-shore sources or by foreign currency domiciliary accounts. The main purpose of the surveillance is to prevent malpractices or false transactions with respect to quantity, quality, and foreign-exchange values of imported products. It is also used as a tool to implement the import bans. The surveillance is considered necessary to prevent the recurrence of capital flight by way of over-invoicing which was frequently observed in the 1970s. Therefore, surveillance is supposed to help increase rather than restrict the capacity of Nigeria to import.

(xi) State-trading

178. All State-trading enterprises with exclusive or special privileges, including the Nigerian National Supply Company Ltd. and Commodity Marketing Boards, have been abolished. The National Supply Company dealt with bulk imports of essential items in short supply in the country. The Commodity Marketing Boards of the Government were abolished in February 1987, in the context of deregulation and liberalization of the economy. The Boards had monopolies for the marketing of cocoa, cotton, groundnuts, palm products and rubber, purchasing these main cash crops at prices set by the Government. With the abolition of the marketing boards, farm-gate prices, and thus incentives to produce and export, have increased. There has been a notable gain in farmers' incomes.

179. While not enjoying exclusive or special privileges in trade, public enterprises (parastatals) in Nigeria have been playing the principal rôle in developing several sectors of the Nigerian Economy. The public enterprise sector in Nigeria is estimated to contribute about 30 to 35 per cent to GNP. At Federal level alone, there are about 125 public enterprises of commercial nature, spread over agriculture, mining, manufacturing, transport, commercial and other services. Many of these enterprises are engaged in trade.

180. With a view to fundamentally restructuring the Nigerian economy and to rationalizing the management of public enterprise, the Government of Nigeria has embarked upon privatization or commercialization of State-owned companies. The Privatization and Commercialization Decree of July 1988 established a framework for privatization or commercialization of a total of 127 public enterprises, many of which are in the manufacturing sector. Ninety-two enterprises were to be either wholly or partially privatized, and 35 were to be commercialized with strict commercial standards for their operation. The former include some car assembly enterprises and many service enterprises such as Nigerian Airways. The latter include the Nigerian National Petroleum Corporation (to be fully commercialized in 1991) and the Ajaokuta Steel Company (Appendix Table AIV.1).
181. The Decree defines that commercialized enterprises should be profit-making commercial ventures operating without subsidies from the Government. The companies are to be independent in setting prices, capitalizing assets and borrowing money. The Government is no longer to provide any operating subsidy to the privatized companies.

182. The Decree also set up the Technical Committee for Privatization and Commercialization (TCPC) as the executive body with authority to implement the programme. By the end of 1989, the TCPC made offers for sale of 18 Government-owned companies (16 Federal, 2 State) having 94.4 million shares with a market capitalization of about₦138 million. The 16 Federal Government companies comprise 13 insurance companies, 2 oil companies, and one flour mill.

(xi) Import cartels

183. While there is no specific legislation in Nigeria to prohibit or sanction the formation of import cartels by private firms, such cartels are not encouraged by the Government of Nigeria.

(xiii) Countertrade

184. Since 1986, the Government of Nigeria has suspended countertrade activities. The decision to suspend countertrade has apparently been taken on the basis of recommendations of the special review committee appointed by the Government in 1985 to examine existing countertrade agreements. The report of the committee has not been released.

185. Before the suspension, Nigeria had concluded a number of countertrade agreements, including those with Brazil and France in 1984. In both agreements, Nigeria traded petroleum for a variety of products including agricultural products. Bilateral trade agreements concluded by Nigeria with trading partners such as Benin and Bulgaria had also countertrade or buy-back agreements, but, according to the Nigerian Government, these provisions have not been put into practice.

(xiv) Standards and other technical requirements

(a) Standards, testing and certification

186. Nigeria is an observer in the GATT Committee on Technical Barriers to Trade. Nigeria is a member of the International Organization for Standardization (ISO), but its membership is currently suspended due to the non-payment of its subscription for the year 1990.
187. The Nigerian Standards Council (NSC) under the Minister of Industries issues official standards covering a variety of goods. The standards give specifications to manufacturers in their production process, specify quality characteristics required by consumers, and indicate mandatory testing procedures. All standards which have a bearing on health and safety are mandatory.

188. The Standards Organisation of Nigeria (SON) is a corporate body governed by the NSC. The SON's activities cover all manufactured products except drugs and requirements for armed forces. The SON is mandated to conduct the following functions:

(a) to prepare standards for products and processes for approval by the NSC;
(b) to ensure compliance with Government policy on standardization and quality of products both locally manufactured and imported;
(c) to undertake investigations as necessary into the quality of products in Nigeria and to establish a quality assurance system including certification of factories, products and laboratories; and
(d) to maintain reference standards for calibration and verification of measures and measuring instruments and co-operate with corresponding national and international organizations with a view to securing uniformity in standards specifications.

189. The SON has been granted semi-autonomous status as a corporate body in June 1990. It is empowered to enforce the seizure, confiscation and destruction of sub-standard goods and to seal up factories which are regularly found to produce sub-standard or defective goods.

(b) Sanitary and phytosanitary regulations

190. For imports of certain animals, animal products, plants, seeds, soils, and used merchandise, sanitary certificates by exporting countries and special import permits granted by appropriate Nigerian authorities responsible for sanitary regulations are required.

191. Under the Food and Drug Decree of 1974, the manufacture, sale and advertising of food, drugs, cosmetics and items such as pesticides are regulated. Imports of food, drugs, cosmetics, and pesticides must be accompanied by a "Combined Certificate of Manufacture and Free Sale". The Certificate is to be issued by an authority in a country where the products are manufactured (statutory body or agency which is responsible for the safety and quality of the products) that the products concerned are manufactured in accordance with regulatory requirements following
international standards. The Certificate also requires a declaration by the authority that the products do not contain any detrimental substances, and that the products can be sold freely in the country of manufacture. Products not accompanied by the Certificate may be refused entry into Nigeria.

192. All pharmaceuticals must be registered in Nigeria. Detailed product information must accompany an application for registration. Inspection officers examine and analyse any food, drug or cosmetic items to be imported for use in Nigeria. For any new drug or cosmetic, certain data (samples, data sheets, and the method of analysis) must be sent to the Nigerian Food and Drug Administration at least three months before the product arrives in Nigeria. The "Certificate of Analysis", along with the "Certificate of Manufacture and Free Sale", is required in addition to the normal export documents.

193. In order to prevent the manufacturing of fake drugs in Nigeria, the Nigerian Government promulgated a Decree in 1988 and set up a task force in each State to stem the sale of fake drugs.

(c) Marking, labelling, and packaging

194. All manufactured products are required to bear names or identification marks of manufacture. In case of perishable goods, there must be some indication of the shelf life of the products usually designated as "best before (date)". For food items, there should be an indication of names and quantities of any additives. For alcoholic drinks, the level of alcohol must be indicated.

195. For containerized imports, it is required that every container be marked clearly with identifying marks and/or numbers shown on the ship's manifest. Any container carrying goods must be accompanied by a packing list certified by the producer, manufacturer, supplier, or exporter showing all items imported in the container. When a container carries more than one consignment of goods, or when a consignment consists of goods of different descriptions, such details should be reflected on the ship's manifest. Any container carrying more than one type of good may be examined by Nigerian officials.

196. The Merchandise Marks Ordinance forbids the importation of products labelled in such a way as to infringe on the trademark rights of other manufacturers. Products bearing trade or other marks which are false or misleading are prohibited.

197. Nigeria adopted the metric system in 1973. Since 1979, under the Weights and Measures Decree of 1974, all items entering Nigeria are
required to carry exclusively metric units for content marking. All imports with dual labelling in metric and non-metric units will be confiscated or refused entry. Special labelling requirements are in effect with respect to weight, measure, etc. of certain packaged products such as flour, salt, soap, candles, sugar, crochet cotton and yarns.

198. All goods are required to be suitably packaged so as to withstand handling during transportation. Goods packaged in straw may not be admitted because of the prohibition of imports of material, such as straw, originating from small cereals.

(xv) **Government procurement**

199. Nigeria is not a signatory to the GATT Agreement on Government Procurement, but it has observer status in the Committee on Government Procurement.

200. While there is no regulation that domestic suppliers should be given preference over foreign suppliers, the Nigerian Government has expressed the view that all Federal Government ministries and parastatals should buy locally produced goods, where available, at the right quality and quantity to meet local needs, rather than importable substitutes.

201. By the Civil Service Reorganization Decree of 1988, procurement of government supplies is required by completing a "Local Purchase Order" or an indent from overseas contractors. When requested supplies are not available in a storehouse, a market survey should be conducted to obtain the cheapest and best quality item in the local market. Where materials are not readily available locally, an indent indicating the details of the materials required will be placed abroad through designated agents responsible for overseas supplies. When a contractor is selected for the supplies, a letter of credit will be processed through the Central Bank of Nigeria and the Federal Ministry of Finance.

202. When tendering is used for procurement of a significant amount of goods and services, three tendering methods are used by the Nigerian Federal and State governments - open tendering, selective tendering, and negotiated tendering. There is no restriction on foreign suppliers to participate in tendering.

203. In **open tendering**, the tender is advertised in daily newspapers indicating in brief the scope of work and dates of collection and return of tender. This method is used for standardized, generally available goods and services, or World Bank projects.
204. **Selective tendering** is the most frequently used methods for government procurement at both the federal and State level, particularly for major projects. The tendering procedures require that a registration or prequalification statement which contains certain information on the tendering body be filed with the tendering Ministry or agency. Until a firm has prequalified, it will not be considered for a contract. Once prequalified for a project with a government entity, a firm is usually considered qualified for all future projects of the same general type for that entity. Invitations to bid for a specific project are sent to prequalified firms, which constitute the so-called long list. Firms on the long list may be asked to submit further qualifications tailored to the specific project. From the list of firms responding to the invitation to bid is drawn the short list of five or six firms to which tender documents are sent.

205. **Negotiated tendering** is a narrower form of selective tendering. The procedure is used where a Ministry or agency is constrained to invite only one or two tenderers either for reason of urgency, rare expertise, or national security. Contracts are open to a selected number of firms known to the tendering body through its past experience with them. Under the negotiated contracts, the tendering body simply explains what it wants to procure, and the conditions and final cost are negotiated.

206. In order to qualify for bidding on public work contracts, construction firms must be incorporated in Nigeria with a Nigerian partner holding 60 per cent equity. The Nigerian Indigenization Decree of 1977 exempts foreign firms bidding on their first contract from the requirement to establish a company in Nigeria, but this exemption had been granted in a limited number of cases.

207. In addition to the prequalification statements and incorporation requirements, contractors interested in large construction projects must also register with the Federal Works Registration Board, Federal Ministry of Works. Registration requirements are dependent upon the size and nature of the project and are aimed at ensuring that firms are financially and technically capable of undertaking large projects. A registration fee is required. A firm's eligibility to bid is based upon qualifications in the registration form.

208. Although many State governments use selective tendering for major projects, tendering practices vary according to State. Some States require registration of contractors with the State governments.

209. While data on the total value of Government procurement, or that of State Governments, are not available, Nigeria's public sector use of foreign exchange from official revenue amounted to US$1,163 million during
the first eleven months of 1990, according to the Central Bank of Nigeria. In addition, the Central Bank of Nigeria disbursed a total of US$286 million for the public sector’s imports of goods and services during the same period.

(xvi) Local content requirements

210. Increasing the local content of Nigerian industrial output is one of the main objectives of Government industrial policy. For this purpose, the Government uses various measures, including high tariffs or import prohibition on certain inputs which are locally available, and financial assistance to the research and development of domestic raw materials which could substitute imports. The Raw Materials Research and Development Council, created in 1988, is charged with allocating resources to research and development of identified raw material substitutes or alternatives.

211. In 1985, the Nigerian Government set out the following minimum local sourcing targets for Nigerian industries with a 5-year compliance period: 100 per cent for soft drinks and breweries; 80 per cent for agro-food industries; 70 per cent for agricultural processing industries; 60 per cent for chemicals; and 50 per cent for petrochemicals and machine tools. According to a sample survey conducted by the Manufacturers Association of Nigeria, the situation of local sourcing in 1989 fell far short of the targets for almost all sectors (see Chapter V).

212. In his budget speech of January 1991, the President of Nigeria announced that the Government would, with effect from 1991, closely monitor the use of foreign exchange by industrialists. Companies, which reduce the amount of foreign exchange for the purpose of direct manufacturing by as much as 25 per cent per annum for the same level of production in tonnage or equivalent over the proceeding year, will be slated for an achievement award by the Federal Government.

213. The President also announced in the budget speech that, as a direct encouragement for increased local sourcing of raw materials, the Government had decided to abolish the excess profit tax for companies, in the belief that all companies which used to pay this tax would channel the amount into the development of local raw materials.

214. According to the Government of Nigeria, no local content requirements are imposed on foreign firms operating in Nigeria.

(xvii) Rules of origin

215. Documentary requirements for exports to Nigeria include certificates of origin and value as well as invoices, all of which are to be certified
by a recognized chamber of commerce in the exporting country. The
determination of rules of origin of imported products by the Nigerian
Customs and Excise Department is based on the certificate of origin.

216. The certificate of origin should indicate a country or place where
all the goods mentioned in an attached invoice have been wholly or
partially processed or manufactured. As regards those goods which are only
partially produced or manufactured, it is required to indicate a country or
place where the final process or processes of manufacture have been
performed, and that the expenditure in material produced and/or labour
performed in the country or place mentioned is not less than 25 per cent of
the factory or works costs of all such goods in their finished state. In
the calculation of such proportion of material produced and/or labour
performed, none of the following items should be included: manufacturer's
profit, or remuneration of any trader, agent, broker or other person
dealing in the finished goods; royalties; cost of packaging; or any cost of
conveying, insuring, or shipping the goods subsequent to their
manufacture.

217. For determining the origin of products eligible for preferential
concessions under the Global System of Trade Preferences (GSTP) among
developing countries, the agreed rules of origin which are contained in
Annex II of the Agreement of the GSTP are applied.

218. The Government of Nigeria has expressed its intention to consider
more stringent rules of origin, particularly in the light of recently
agreed trade liberalization programmes with the ECOWAS countries from which
certain specified goods may be imported free of duty.

(xviii) Anti-dumping and countervailing duty actions

219. Nigeria is not a member of the GATT Agreement on Anti-Dumping
Practices. The Customs Duties (Dumped and Subsidised Goods) Act 1958
permits, when necessary, the imposition of a special duty on any goods
which are dumped in Nigeria or subsidized by any Government or authority
outside Nigeria. The provisions of this Act will be invoked if the
Government is satisfied that:

(a) material injury will be threatened or caused to potential or
established industries in Nigeria by the entry of subsidised or
dumped goods into the country; and

(b) the imposition of a special duty will not conflict with
Nigeria's obligations under any international agreement such as
the General Agreement on Tariffs and Trade.
220. In 1988, the Nigerian Government determined that dumping cases were established in respect of certain commodities whose landing costs were lower than their prices in the countries of export. The commodities in question included corrugated iron/steel roofing sheets, tomato paste and purée, aluminium coils, and batteries especially R.20 types.

221. In order to prevent the recurrence of such dumping cases and to protect local industries, the Nigerian Government increased import duties on an m.f.n. basis on fluorescent tubes, R.20 batteries, starch, GLS tubes and glass shells from 35-70 per cent to 200 per cent, effective from 1 January 1989. Administrative difficulties are pointed out by the Nigerian Government as reasons for the application of increased duties on an m.f.n. basis rather than against specific exporters alleged to have dumped.

222. In his budget speech of January 1991, the President of Nigeria referred to alleged dumping with respect to imported products. He announced that the Anti-Dumping Act would be amended to give clear definitions in line with international usage, as well as to institute an appropriate mechanism for proving cases of dumping. Accordingly, the Nigerian Government has established a committee to review the 1958 Customs Duty Act.

(xix) Safeguard actions

223. Nigeria has no formal domestic legislative procedures for taking emergency action on imports of particular products as provided for in Article XIX of the General Agreement. Nigeria has never taken recourse to the Article.  

224. However, for the purpose of protecting domestic industries from imports, changes in tariffs have been used frequently, as already mentioned. The President of Nigeria enjoys discretionary power to modify import or excise duties by Order.

225. A recent example relates to steel products. In 1990, the Ministry of Mines, Power and Steel requested increases in import duties on steel products from the existing 10 to 40 per cent range to a proposed range of 45 to 100 per cent in order to protect Nigerian steel companies from imports. While the Tariff Review Board's recommendation to increase the import duties for the products to the range of 50 to 100 per cent was first

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8With only one tariff item being bound under the GATT, tariff modifications are not subject to Article XIX requirements.
rejected by the Council of Ministers, the President of Nigeria finally decided to override the decision of the Council of Ministers and raised import duties for certain steel products effective from 1 January 1991 (see Chapter V).

(xx) Free trade zones

226. There are currently no free ports or free trade zones in Nigeria, although the Government intends to create export processing zones for export industries.

(xxii) Other measures

227. It is reported that in 1990 the President of Nigeria repeatedly called on Nigerians to buy locally-manufactured goods rather than foreign products. He said that his call for such patronage of local goods was imperative to help Nigeria's industrialization process. However, no specific measures have been initiated to put into practice the call for "Buy Nigerian", in addition to existing import prohibitions and high tariffs.

(4) Measures Directly Affecting Exports

(i) Registration

228. Exporters are required to register with the Nigerian Export Promotion Council (NEPC). All registered exporters are expected to renew their registration every two years.

(ii) Export taxes, charges and levies

229. In 1986, along with other measures under the Structural Adjustment Programme, the Nigerian Government abolished export duties. No export charges or levies are currently imposed.

(iii) Minimum prices

230. According to the Government of Nigeria, there are currently no products whose minimum export prices are set by the Government. However, according to the "Export Procedures and Documentation in Nigeria", published in 1990 by the Nigerian Committee on Trade Procedures under the auspices of the Nigerian Export Promotion Council (NEPC), an Export Price Check System has been designed by NEPC as a means of checking under-invoicing of export prices. Exporters whose export prices are below the recommended FOB prices are required to obtain letters of clearance from NEPC. After giving due consideration of the reasons for low export prices,
the exporters are issued with letters of price clearance, which would then be submitted to the Department of Customs and Excise at point of shipment.

(iv) **Export prohibitions**

231. The export of African antiques, works of art, and objects used (or which have been used) in African ceremonies is prohibited, except under prescribed conditions. The export of wild life, namely animal and plants classified as endangered species and their products (e.g. crocodiles, elephants, lizards, eagles, monkeys, zebras, lions, etc.), is prohibited.

232. In recent years, the Nigerian Government introduced export prohibitions on some primary and processed agricultural and forestry products with a view to avoiding their shortage in the domestic market, or promoting local processing in order to export higher value-added items. Exports of the following products are currently prohibited:

- processed or unprocessed timber and wood in the rough, excluding furniture, furniture components and gmelina (since 1988);
- cassava tuber, maize, yam tuber, beans and rice, and derivatives from these crops (since 1989);
- all imported food items (since 1989);
- raw hides and skins (since 1990); and
- raw palm kernels (since 1991).

233. The Government of Nigeria had intended to include raw cocoa beans, together with raw palm kernels, in the export prohibition list since January 1991. However, due to opposition from domestic producers and exporters as well as the shortage of processing capacity inside Nigeria, the Government of Nigeria has not implemented the export prohibition on cocoa beans.

(v) **Export licensing and export quotas**

234. As part of the Structural Adjustment Programme launched in 1986, the export licensing requirements in respect of many commodities were abolished except in exceptional circumstances (such as for reasons of health, national security, nature conservation, or preservation of national cultural heritage). Currently, only the exports of unrefined gold, and crude petroleum are subject to administrative clearance. No export quotas are set out for Nigerian exports.

235. The production and export of crude petroleum are controlled by the Ministry of Petroleum Resources. Based upon agreements with other OPEC countries, the Ministry allocates production quotas to the Nigerian
National Petroleum Corporation and other petroleum producers in Nigeria. Exporters of crude petroleum need to apply to the Inspectorate Division of the Ministry of Petroleum Resources, which will issue letters of recommendation for clearance of the Ministry of Trade and Tourism.

(vi) **Export certification**

236. A phytosanitary certificate from the National Plant Quarantine Service may be required when fresh fruits, vegetables, flowers, plants and plant products are shipped.

237. A certificate of quality and fumigation is issued by the Federal Produce Inspection Service for exports of primary agricultural commodities, by the Standard Organization of Nigeria and the Food and Drug Administration for exports of manufactured products, and by any other private sector inspection agency nominated by the importer.

238. All exporters of mineral products are expected to obtain either Form K or a letter of clearance from the Ministry of Mines, Steel and Power.

239. Certificates of origin for eligibility under the Generalized System of Preferences (GSP) and the Global System of Trade Preferences (GSTP) are issued by the Nigerian Chamber of Commerce of Industries, Mining and Agriculture (NACCIMA).

(vii) **Export cartels**

240. There is no legislation in Nigeria to prohibit or sanction the formation of export cartels by private firms. According to the Nigerian Government, there are no such cartels in place.

(viii) **Voluntary restraints, surveillance and similar measures**


(ix) **Export incentives**

242. Since 1986, under the Structural Adjustment Programme, the Nigerian Government has initiated a series of measures to promote exports,
particularly in non-petroleum sectors. The Export (Incentives and Miscellaneous Provisions) Decree was enacted in 1986. The measures include changes in the exchange-rate policy (Chapter III), the removal of a number of items from export prohibition, and the introduction of various incentive schemes. Table IV.8 shows a list of the main export incentive schemes currently in effect under the Decree.

243. In 1986, the Government also allowed exporters to retain 25 per cent of foreign exchange earned from all non-oil exports in domiciliary accounts. The percentage was raised to 100 per cent under the Structural Adjustment Programme.

244. For institutional support to export promotion, the Nigerian Export Promotion Council (NEPC) was reorganized to strengthen its capabilities and responsiveness to the needs of exporters. The Industrial Development Coordinating Committee (IDCC) is intended to encourage new investment for export.

(a) Export subsidies

245. The Export Expansion Grant Fund is used to provide cash inducement for exporters who have exported a minimum of N 50,000 worth of semi-manufactured or manufactured products.

246. The Export Adjustment Scheme Fund has been established to serve as a supplementary export subsidy. Proceeds are used to compensate exports for high costs of production arising from infrastructural deficiencies; purchasing commodities at prices higher than prevailing world market prices but fixed by government; and other factors beyond the control of the exporter.

(b) Duty and tax concessions

247. A duty drawback scheme was first introduced in Nigeria under the Customs (Duty Drawback) Regulations of 1959, according to which importers could claim repayment of import duty paid for materials used in producing export goods. Until recently, however, the scheme had been hardly utilized by exporters, partly because of few exports of manufactures and cumbersome procedural requirements involved.

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9 According to the "Assessment and Evaluation of the Structural Adjustment Programme, 1990" by the Federal Ministry of Budget and Planning, not much progress has been made in the implementation of most aspects of the export incentive package, including the Drawback Scheme, Export Development Fund, Export Expansion Fund, etc. However, the Ministry did not elaborate further on the assessment.
248. Under the Export (Incentives and Miscellaneous Provisions) Decree 1986, the Nigerian Government introduced a new duty drawback and suspension scheme with a view to encouraging non-oil exports. In accordance with the Decree, an interagency Duty Drawback Committee was established in 1987. The Committee is convened and serviced by the Nigerian Export Promotion Council, and its function is to fix and publish in the Gazette the unit or rate of duty drawback for each export product. According to the Decree, an exporter on application to the Committee is entitled to a 50 per cent reimbursement on import duties, levies, surcharges or export duties paid in respect of all imports including raw materials, components and packaging materials used in export production. An exporter is also entitled to a 50 per cent reimbursement on excise duties paid in respect of all export products and export product components. Applicants are required to be incorporated companies or individuals resident in Nigeria.

249. Both for 1989 and for 1990, N 10 million was allocated in the Federal Government's budget to fund rebates under the duty drawback scheme. The Government has made various promotional efforts and assistance available to make the scheme more effective. For 1991, the sum has been increased to N 50 million, in response to the increased number and value of applications for the scheme.

250. In his budget speech of January 1991, the President of Nigeria announced the introduction of the "Manufacturing in Bond Scheme" as a further measure to assist potential exporters of manufactured products. According to the scheme, manufacturers may import, free of duty, raw materials for production of exportable products, backed by a bond issued by a first-class bank which guarantees that all of end-products will be exported. The performance bond will be discharged after evidence of exportation and repatriation of foreign exchange has been produced. The scheme has not yet been put into operation.

251. The Companies Income Tax Act 1979 was amended in 1986 by the Export (Incentives and Miscellaneous Provisions) Decree to grant an annual depreciation allowance of 5 per cent on plants and machinery to manufacturing exporters. In order to be eligible, exporters need to export at least 50 per cent of their annual turnover and the product must have at least 40 per cent local material content or 35 per cent domestic value added.

(c) Export finance

252. The Export Development Fund provides financial assistance to private exporting companies to cover part of their initial expense in respect of export promotion activities, such as the cost of participation in trade fairs and foreign market research.
253. The Nigerian Export Credit Guarantee and Insurance Corporation (NEXIM) was established by a 1988 Decree and commenced its operation in January 1991. The Decree provides that NEXIM may provide a range of financial and risk bearing facilities including export credit guarantees, export credit insurance, investment guarantees, and credit facilities in naira and in foreign currency. NEXIM is also empowered to provide supplier credit, buyer credit and external trade facilities.

254. Among export financing schemes now under the responsibility of NEXIM are the Rediscounting and Refinancing Facility (RRF) and the Foreign Input Facility (FIF) both of which were hitherto operated by the Central Bank of Nigeria. The RRF is aimed at providing banks with liquidity to finance exports. Under the scheme, banks may provide exporters with pre- and post-shipment rediscounting facilities, and long-term export credit.

255. The Foreign Input Facility (FIF) is a foreign exchange loan provided by NEXIM to exporters through their commercial and merchant banks for imports of raw materials, capital equipment, packaging materials and spare parts to produce exportable products. The fund for operating the scheme is derived from loans from multilateral financing institutions, banks and national reserves. Exporters repay the loans in foreign currency from export proceeds to NEXIM through the banks. Initial funding of the FIF has been provided by the African Development Bank under an export stimulation loan of 180 million units of account (UA), equivalent to about US$245 million. Exporters eligible under the scheme are enterprises whose assets excluding land do not exceed US$5 million.

(d) Export insurance and guarantees

256. As mentioned above, the Nigerian Export Credit Guarantee and Insurance Corporation (NEXIM) commenced its operation in January 1991. NEXIM is responsible for the Export Credit Guarantee and Insurance Scheme which is aimed at making Nigerian exporters competitive in international markets as well as insuring exporters against some political and other risks including default in payment.

257. Under the Scheme, NEXIM provides direct guarantee to banks in respect of their loans to exporters. NEXIM also provides insurance to exporters against the risk of non-payment by foreign buyers arising from insolvency of buyers or buyers' failure to pay within a stipulated length of time, and against country risks (political and economic risks).
(x) **Export performance requirements**

258. According to the Nigerian Government, there are no requirements on foreign firms directly investing in Nigeria to export a specified product or a specified minimum quantity or value of local production.

(xi) **Free-trade zones, export-processing zones**

259. The Government plans to establish export-processing zones. A tentative decision to select Calabar port as a pilot site has been made and discussions between Federal and State officials on implementation have started. Feasibility studies are being conducted.

(xii) **Other measures**

260. The Nigerian Government has recently announced that it intends to introduce a scheme of non-oil exports supervision to enforce quality control standards as well as to issue quality standard certificates in respect of all non-oil exports from Nigeria.

(5) **Measures Affecting Production and Trade**

(i) **Adjustment assistance**

261. Various forms of Government assistance are provided to promote agricultural and industrial activities which the Government considers as having long-term growth potential. The major sectors on which the Nigerian Government currently puts much emphasis are agriculture (food crops in particular) and industries which are less dependent on imports of raw materials and produce more local value-added. As seen above, import restrictive measures (import prohibition, high tariffs, etc.) and export promotions are often used to direct domestic resources to these sectors.

262. Other measures which directly affect production of such sectors are also in place. In agriculture, the Government of Nigeria currently provides subsidies for fertilizers and other inputs, financial assistance with lower interests, assistance for research and development, assistance to improve agricultural infrastructure and other measures (for details, see Chapter V).

263. In industry, major Government incentives for manufacturers to promote businesses of greater growth-potential include assistance for research and development and tax concessions for "pioneer" companies and products and certain other activities. Concessional loans are also available from Industrial Development Banks set up at both Federal and State levels.
264. The Industrial Training Fund was established by Decree No. 47 of 1971 for promoting the acquisition of skills by Nigerian nationals in industry and commerce. Programmes of the Fund include:

(a) providing facilities for training those employed in industry and commerce;
(b) approving courses and appraising facilities provided for training by other bodies;
(c) considering, regularly, operational areas of industry or commerce that require specific manpower training, and recommending kinds of training needed and standards to be attained;
(d) assisting individual persons or corporate organisations in finding facilities for training; and
(e) conducting or assisting others to conduct research into any matter relating to training in industry.

(ii) Assistance for research and development (R&D)

265. The Nigerian Government's current R&D activities and assistance for such activities by various research institutes are mainly directed at obtaining suitable local raw materials and promoting their use by industry. The Government has created a Raw Materials Research and Development Council under the Ministry of Science and Technology, with a view to allocating resources for R&D on identifying local raw materials for industrial use.

266. The Nigerian Government also finances research institutes and funds various research projects such as the Federal Institute of Industrial Research, the Agricultural Mechanisation Unit, the Project Development Agency and others. According to data provided by the Federal Ministry of Science and Technology, recurrent expenditures in 1987 of 23 Nigerian research institutes amounted to about N 70 million (N 17 million for capital expenditures).

267. The Nigerian Government has also been promoting domestic industries to engage in R&D for the improvement of their processes of production and products. The Government has introduced a tax relief of up to 120 per cent of expenses on R&D, provided that such R&D activities are carried out in Nigeria and are connected with a business from which income or profit is

10 In the area of pharmaceutical research and development, for example, a Government-funded Institute for Pharmaceutical Research and Development is encouraging, in collaboration with the private industry, the development of medicines from traditional plants and herbs. Results of the research are to be made available to interested industrialists for utilization.
derived. For the purpose of R&D on local raw materials, tax relief of up to 140 per cent of expenses is allowed. Where research is conducted for a long term, it will be regarded as capital expenditure and can be written off against profits.

268. In administering this tax relief, the Federal Ministry of Finance consults the Federal Ministry of Science and Technology to determine the genuineness of such R&D activities. The result of such research could be patented and protected in accordance with internationally accepted industrial property rights.

(iii) Production subsidies, tax concessions

269. While the amount of total government subsidies to Nigerian agriculture and industry is not known, according to the Central Bank of Nigeria the Federal Government's expenditure for economic services amounted to N 4.9 billion (provisional) in 1989, accounting for 11.8 per cent of the recurrent and capital expenditures of the Federal Government. Out of the total capital expenditure of N 15 billions, 11.5 per cent were used for agriculture and water resources, and 5.6 per cent for manufacturing, mining and quarrying. Capital investment has been heavily concentrated in public enterprises in the areas of petroleum, steel, fertilizers, electricity, telecommunications, aviation and railways.

270. Pioneer status is granted on application to certain companies or products under the provisions of the Income Tax Relief Act of 1958, as amended by Decree No.22 of 1971. The objective of the Decree is to encourage the establishment of industries which the Government considers beneficial to the country. The Decree is applicable to both public and private limited liability companies. When a company or a product is granted pioneer status, it is entitled to a tax holiday period of five years. If a company is located in economically disadvantaged areas, the tax holiday period is seven years.

271. Additional tax concessions are available to industrialists who take initiatives in the following areas: development of local raw materials; local value added; labour-intensive processes; export-oriented activities; in-plant training; and investment in economically disadvantaged areas.

(iv) Pricing and marketing arrangements

272. As part of the Structural Adjustment Programme of 1986, the Nigerian Government eliminated most of the price and distribution controls for a wide range of commodities which had previously been administered by the
Federal Government's Prices, Productivity and Income Board. Currently, price control has remained only for petroleum products, fertilizers, and cement. Private enterprises are now free to set prices for other products.

273. Before the abolition of the Commodity Marketing Boards in 1987, official purchasing prices had been set by the Government for the main cash crops such as cocoa and palm products, and guaranteed minimum prices had been offered for cereals. The Commodity Marketing Boards for the crops had monopolies for the marketing of these crops, while there was a free market for cereals. All six Boards were closed down and there is no longer Government control over prices or marketing of these crops (see the section on State-trading in this Chapter).

(v) Regional assistance

274. Promoting regional diversification of industries and discouraging over-concentration of industries in a few industrial centres are major objectives of the Nigerian industrial policy. In addition to a number of Government schemes of assistance for the development of rural areas (the Better Life Programme for Rural Dwellers etc.), the Government of Nigeria accords various incentives to promote a more even distribution of industries across the country. For the purpose of administering these incentives, the country is grouped into the following zones:

Zone 1  Industrially and economically developed Local Government Areas;
Zone 2  Less industrially and economically developed Local Government Areas; and
Zone 3  Least industrially and economically developed Local Government Areas.

275. The Federal and State Governments accord certain tax relief and other concessions for investment in "economically disadvantageous areas". The "economically disadvantageous areas" which cover the Zones 1 and 2 are defined in terms of inadequacies of industrial production on gross and per capita basis; social and economic infrastructure; and level of labour market development.

276. The tax relief and other concessions for entrepreneurs who invest in economically disadvantageous areas include

(a) seven years income tax concessions under the above-mentioned Pioneer Status Scheme;
(b) special concessions by relevant State Governments; and
(c) an additional 5 per cent over and above the initial capital depreciation allowance under the Company Income Tax Act.
277. The locational approval on a regional basis, which had been previously required by the Federal Ministry of Industries for both Nigerian and foreign investors, has been abolished.
V. TRADE POLICIES AND PRACTICES BY SECTOR

(1) Overview

278. Major objectives of current Nigerian economic policies include achieving self-sufficiency in agricultural production, particularly in food crops, and accelerated industrial growth with greater emphasis on import substitution, particularly through the processing of local raw materials. In order to achieve these objectives, the Government maintains a wide range of trade measures.¹

279. A number of sectors are protected by import prohibitions which the Government of Nigeria considers necessary because of balance-of-payments concerns. These measures affect several agricultural sectors such as foodstuffs, grains, meat, fish, beverages, as well as certain industrial sectors such as textiles and plastic wares. In terms of tariff items, about 29 per cent of agricultural products and 20 per cent of industrial products were subject to conditional import prohibition as of January 1989. Additional prohibitions were implemented in December 1989 (Chart V.1).

¹In this Chapter, trade policies and practices are organized according to the sectoral break-down of the product classification used in the GATT Tariff Study. Data on imports, production, consumption, employment and exports which are also used in this Chapter are drawn from Nigerian sources whose classifications do not strictly correspond to that of the Tariff Study. It is evident that the impact of the trade measures discussed below is not limited to the sector in which they are applied.
Chart V.1
Share of import prohibited items
in Nigeria, January 1989
Percentage of tariff line numbers

Note: In 1989, particle board and a certain number of textile fabrics were removed from the import prohibition list, and branch alkyl benzene, bentonite and barytes were added to the list. Moreover, in December 1989, meat, chicken, fish, expired food products and imported foodstuffs were added. The above chart does not include these changes, as the relevant HS codes were not available.

Source: Government of Nigeria and GATT Secretariat estimates.

280. As already noted, in 1988 a major tariff reform was implemented. This reform was meant to establish a stable tariff system for 7 years. However, frequent adjustments made since then suggest that the tariff has been used as an important instrument to influence the degree of Government assistance to Nigerian industries. Import duties have been raised to 300 per cent for batteries and fluorescent, to 200 per cent for various starches, electric lamp bulbs and some other items, and to 100 per cent for certain steel products, footwear, perfumes, sorghums and other items. While protection of these sectors was increased, tariffs on some raw materials, such as iron ore and wood in the rough, and on certain other products were lowered.

281. In January 1991, the simple average tariff for agricultural products was 40.1 per cent and for industrial products 35.8 per cent. However, nominal tariff levels vary largely across the product range.
282. In Nigeria, nominal tariff levels do not always reflect the level of nominal tariff protection actually accorded to domestic products. For about 160 items (HS four-digit), so-called landing charges are contained in tariff rates. These items include spirits and cigarettes (landing charges of 40 per cent), certain beverages and cigars (30 per cent), articles of jewellery and video recorders (20 per cent), and several other products. The landing charges are equivalent to excise duties on domestic substitutes. Moreover, all import items are subject to across-the-board import surcharges.

283. Nominal rates of tariff protection, adjusted for landing charges and surcharges, are shown in Table V.1. Accordingly, high nominal tariff protection is accorded to Nigerian producers of tobacco products, beverages and spirits, fish, dairy products, other agricultural products of animal origin, and foodstuffs. In the industrial sector, high rates are applied to products such as precious stones (jewellery, etc.), footwear and travel goods, textiles and clothing, soaps and detergents, steel products, batteries, passenger cars and works of art.

284. Among agricultural products, tariff protection is relatively low for certain fruit and edible nuts, certain plants and vegetable materials, oilseeds, grains and meat. However, for many of these products, tariffs are currently redundant because the items are subject to import prohibitions. In industry, low nominal tariff protection applies for products which are either abundantly available in Nigeria (e.g. coal, petroleum, hides and skins, rubber), subject to import prohibition (e.g. wood and cork) or difficult to obtain in local markets (e.g. non-electric machinery, transport equipment, professional instruments, chemical elements).

285. Estimates of the effective rate of protection by individual product group are available from studies by the Policy Analysis Department (PAD) of the Federal Ministry of Industries of Nigeria and the World Bank (Tables V.2 and V.3). Both studies show a wide variation of effective protection.

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2The nominal rate of tariff protection were calculated as customs duty rates plus surcharges, less landing charges.

3The effective rate of protection attempts to measure net assistance by taking into account not only the nominal rate of protection on outputs, but also any penalties (e.g. from tariffs) and benefits (e.g. from subsidies) operating on imports. It is defined as the difference between value added in domestic prices and value added in world prices expressed as a percentage of the latter. The study of the Policy Analysis Department of Nigeria used the input-output structure from the 1984 census of manufacturing enterprises conducted by the Federal Office of Statistics and the 1988 nominal tariff schedule. The estimates of the World Bank were based on the results of an enterprise survey conducted by the World Bank in March 1989.
protection across the product range, with rates varying from negative figures to around 1,000 per cent.

286. Both estimates suggest very high effective protection for batteries (over 1,000 per cent for drycell batteries according to the World Bank, and over 200 per cent for batteries according to the PAD), textiles, flour and brewing. Negative effective protection is estimated for tobacco and garments according to the World Bank, and for ceramics, fruit drinks, animal feeds and printing according to the PAD. These indicative estimates suggest a highly disparate structure of protection in Nigeria.

287. The Nigerian export sector has been dominated by crude petroleum, which has accounted for over 90 per cent of merchandise exports. Main non-oil export items include cocoa beans, rubber, fertilizers, cocoa butter, and palm kernels. While recorded manufactured exports are very small, unofficial exports to neighbouring countries of products such as textiles, furniture, wood products and detergents are reported to be substantial. The Government has been promoting exports of non-oil products, especially higher value-added processed products, by various incentive schemes, including escalating tariff protection in some areas.

(2) Agriculture

288. Benefitting from its climatic and soil conditions, Nigeria produces a wide variety of agricultural products, including many food and cash crops. Arable land accounts for 34 per cent of the total surface of Nigeria, but only 3 per cent of the arable land (as of 1986) is irrigated. The average use of fertilizers is considerably lower in Nigeria (9 kilogrammes per hectare of arable land in 1986) than in many other developing countries, including African countries (17 kilogrammes for Mali and 52 kilogrammes for Kenya).

289. Agricultural population accounted for two-thirds of total Nigerian population in 1987 (close to two-fifths of the agricultural population was agricultural labour force). While total population increased at an average

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Footnotes:

4 Negative effective rates of protection may result either from negative protection or negative value added at world prices.

5 The World Bank cautioned that these estimates are meant to be merely indicative in view of factors such as the limitations on data and simplified assumptions. The Policy Analysis Department of the Federal Ministry of Industries of Nigeria also calls its estimates indicative effective rates of protection.

annual rate of 3½ per cent between 1981 and 1988, the agricultural labour force increased at 2.2 per cent.

290. Production of agriculture and fisheries in Nigeria is estimated to have accounted for about 38% per cent of GDP in 1989 (31 per cent for crop production, 6 per cent for livestock production, and 1½ per cent for fishing production). Major food crops in Nigeria are yams, cassava and grains (primarily, millet, sorghum and maize). Major cash crops produced in Nigeria include palm wine, sugar cane, groundnut, palm oil, palm kernel, cocoa, cottonseed, melon, soybeans, rubber and others. Major livestock products include beef, goat meat, eggs, milk, lamb, mutton and poultry. Fishery products are largely artisanal coastal and brackish water catches (Table V.4).

291. Nigerian agricultural output grew at an average rate of 2½ per cent per year during the period 1981 to 1987, more rapidly than in Africa as a whole (1.9 per cent). However, output expansion declined to 0.2 per cent in 1988 (the corresponding figure for Africa was 4.1 per cent). Per capita of the Nigerian population, agricultural output slightly declined during the period 1981 to 1988.

292. Since the 1970s, successive attempts have been made to promote agricultural production by way of Government initiatives such as the "Operation Feed the Nation" and the "Green Revolution" campaigns. However, as long as oil revenue was rising and the Nigerian currency was so strong that foodstuffs could be imported cheaply, there was little incentive for increasing agricultural production. As a consequence, imports of most foodstuffs grew rapidly. However, against the background of a worsening balance-of-payments situation since the mid-1980s, the interest in developing domestic agriculture revived, and under the Structural Adjustment Programme the Government accorded top priority to agriculture.

293. In 1987, the Government of Nigeria set out a time-scale for the attainment of self-sufficiency in basic food commodities. Taking into account the relative magnitude of the supply and demand gap, availability of resources and several other factors, self-sufficiency was to be attained

- in the short term (i.e. within two years) for maize, guinea corn, millet and cassava;

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8See the 1989 Annual Report and Statement of Accounts of the Central Bank of Nigeria.
in the medium term (i.e. within five years) for cowpeas, fish, poultry eggs, mutton and goat meat;

- in the long term for rice, beef and dairy products.

294. The Federal Ministry of Agriculture and Rural Development subsequently set out specific output targets by crop and sub-sector for the period 1988 to 1992. As evident from Table V.5, the 1989 output (provisional estimates) of groundnuts, soybeans, yam, cocoyam and plantains was in excess of the target for 1992, while the output of maize, sorghum, rice, wheat and cassava fell far short of the target.

295. The Nigerian Government relies heavily on trade restrictions, including import and export prohibitions and high tariffs, to achieve its agricultural policy objectives. The Government has banned imports of a number of key agricultural products such as meat and chicken, fish (except those caught and landed by licensed and authorized vessels), poultry, fish, vegetables, eggs, fruits and fruit juices, mineral waters, soft drinks and beverages, beer and stout, malt and barley, rice, maize, wheat, sparkling wines, and vegetable oils. At the beginning of 1989, the items under import ban represented about 20 per cent of all agricultural items (in terms of HS tariff lines; Chart V.2). In December 1989, meat, chicken, fish and some other items were added to the import prohibition list.
Chart V.2
Share of import-banned items for selected agricultural products, January 1989

<table>
<thead>
<tr>
<th>Tariff Study Category</th>
<th>Percentage share in terms of tariff lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>24 Foodstuffs</td>
<td>56.8%</td>
</tr>
<tr>
<td>25 Grains</td>
<td>43.8%</td>
</tr>
<tr>
<td>28 Plants and vegetable materials</td>
<td>27.8%</td>
</tr>
<tr>
<td>29 Beverages and spirits</td>
<td>26.7%</td>
</tr>
<tr>
<td>26 Animal and animal products</td>
<td>19.5%</td>
</tr>
<tr>
<td>27 Oilseeds and fats</td>
<td>3.8%</td>
</tr>
<tr>
<td>30 Dairy products</td>
<td>0.0%</td>
</tr>
<tr>
<td>31 Fish</td>
<td>0.0%</td>
</tr>
<tr>
<td>32 Tobacco</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Source: Government of Nigeria and GATT Secretariat estimates.

296. As noted above, the simple tariff average for agricultural products is 40.1 per cent (based on the 1991 tariff schedule), up from 38.7 per cent in 1989. The 1991 average duties for selected product categories are shown in Chart V.3. While average tariffs vary among product categories, high tariff peaks are evident for all categories (for tariff escalation, see Chapter IV).
Chart V.3
Tariff levels for agricultural products in Nigeria, 1991

<table>
<thead>
<tr>
<th>Tariff Study Category</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>32 Tobacco</td>
<td></td>
</tr>
<tr>
<td>29 Beverages and spirits</td>
<td></td>
</tr>
<tr>
<td>31 Fish</td>
<td></td>
</tr>
<tr>
<td>30 Dairy products</td>
<td></td>
</tr>
<tr>
<td>24 Foodstuffs</td>
<td></td>
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<tr>
<td>26 Animal and animal products</td>
<td></td>
</tr>
<tr>
<td>25 Grains</td>
<td></td>
</tr>
<tr>
<td>27 Oilseeds and fats</td>
<td></td>
</tr>
</tbody>
</table>

Source: Government of Nigeria and GATT Secretariat estimates.

297. For imports of certain animals, animal products, plants and seeds, sanitary certificates by exporting countries and special import permits are required. They are granted by appropriate Nigerian authorities responsible for sanitary regulations.

298. Restrictive trade policies are likely to have been a major factor in the decline in the share of agricultural products in recorded Nigerian imports of merchandise. For example, the share of food and live animals in total imports dropped from 18.8 per cent in 1984 to 6.8 per cent in 1989.

299. Exports of food and live animals grew considerably from ₦234.7 million in 1984 to ₦1,679.7 million in 1988, but are estimated to

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10 While not accounted for in official trade statistics, imports of food by smuggling may not be negligible. The most recent budget speech of the President of Nigeria (January 1991) pointed out that "activities of smugglers have tended to negate the policy of selective closure of the Nigerian market to certain food imports, and discouraged domestic production in protected industries below what they would have been".
have declined to N1,229.5 million in 1989. During this period, the share of these products in Nigerian merchandise exports ranged between 2.1 and 5.4 per cent. Cocoa beans are the single most important agricultural export item. Other export items include cocoa butter, palm kernels, shrimps and prawns, and cashew nuts. Traditional export items, such as peanuts and palm kernel oil, have greatly diminished.

300. In 1986, the Nigerian Government lifted prohibitions on exports of agricultural products, and introduced a number of incentives for exports, including the right to retain foreign exchange earned from all non-oil exports (see Chapter IV). However, in more recent years, the Nigerian Government reintroduced measures to stop exports of some important raw primary commodities, namely timber and wood in the rough (since 1988), cassava tuber, maize, yam tuber, beans and rice (since 1989), raw hides and skins (since 1990), and raw palm kernels (since 1991). Export prohibitions are aimed at securing domestic supply or encouraging local processing for export.

301. The Government has also implemented various schemes of assistance for increased agricultural production. They include Agricultural Development Projects (ADPs) supported by the World Bank (Table V.6). These projects promote agriculture in all States. An estimated N294 million was distributed to the ADPs in 1989 (of which N120 million from the World Bank, N36 million from the Federal Government, and N97 million from State Governments). In 1989, funding of the ADPs was well below the levels for 1988 (N392 million) and for 1987 (N442 million).

302. Assistance under the ADPs includes the construction of infrastructure (roads, dams, etc.), the supply of farm inputs at subsidized prices (fertilizers and seed multiplication), and the supply of certain other services (land clearing, tractor hire, etc.). Within the ADP area, output of maize, rice, cowpea, groundnut and wheat is estimated to have risen by between 40 and 110 per cent during the period 1987 to 1989.

303. As already noted, there has been little use of fertilizers in Nigeria. In order to change this situation, the Government has been engaged in the importation, production and marketing of fertilizers. A State-owned company supplies farmers with fertilizers at heavily subsidized prices (see the section below on fertilizers). The fertilizer subsidy absorbs nearly 50 per cent of the Federal Government's agricultural budget. According to estimates by the World Bank, in 1989 the fertilizer subsidy reduced the price to be paid by farmers by more than 80 per cent; in absolute terms, the subsidy in 1989 was estimated to have amounted to about N1.3 billion.
304. The Government's Directorate of Food, Roads and Rural Infrastructure also provides physical infrastructure, including feeder roads, electricity, portable water and housing, to private farmers and the rural population in order to raise agricultural productivity and to reduce rural poverty. Also, in addition to the Agricultural Credit Guarantee Scheme, the Government launched a national Smallholder Farm Credit Scheme in 1989, using existing agricultural cooperatives and other farm organizations to facilitate access to new technology and reduce post-harvest losses.

305. The Nigerian Agricultural and Co-operative Bank grants loans to farmers. Priority has been given to food crops, coastal-water fisheries, poultry, beef and piggeries. The Government has encouraged the bank to direct 15 per cent of their lending to the agricultural sector and to liberalize definitions of collateral for small farmers in order to qualify them for credit. Tax incentives are also granted by the Government for investment in agriculture (see Chapter IV).

306. In 1986, the Government abolished the six Commodity Marketing Boards for rubber, palm products, groundnuts, cocoa, cotton and grains. A new system has evolved, relying on private traders for internal and external marketing of agricultural products and Federal and State quality inspection services.

307. The abolition of the Marketing Boards resulted in price increases for most agricultural products, thus boosting incentives for agricultural production. However, some problems arose from the privatization of commodity exports. For example, the absence of quality control in the case of cocoa and cotton threatened a boycott of the products in the international markets as private agents exported ungraded commodities. There were also problems related to internal sales, such as lack of storage and transportation facilities.

308. As a further step to attain the goal of national food self-reliance, the President of Nigeria announced in his Budget speech of January 1991 that a National Agricultural Land Development Authority (NALDA) would be created to implement a national agricultural land development programme.
(i) Foodstuffs

309. In 1988, sugar was the main foodstuff imported into Nigeria (N413 million in 1988). While small amounts of coffee and tea are also imported (N9 million in 1988), many other foodstuffs are subject to import prohibitions for balance-of-payments reasons. As of January 1989, import bans covered:

- all fresh vegetables, nuts and fruits;
- preserved and frozen vegetables and fruit (including tomato puree but excluding jams);
- eggs;
- flour, malt and further processed goods made from certain grains (wheat, maize, rice and barley).

Overall, almost three-fifths of all foodstuff items were subject to an import ban.

310. In January 1991, the simple average tariff for foodstuffs was 42.7 per cent. Among non-prohibited products, relatively low tariffs were applied to spices (14.8 per cent) and to coffee, tea and mate (31.8 per cent). High tariffs were applied to starches (200 per cent), cocoa preparations (68 per cent), and sugar and confectionery (44.0 per cent).

311. In January 1990, the excise duty of 5 per cent on biscuits was removed so as to encourage the biscuit manufacturers to use more local wheat flour (import of wheat flour is prohibited). Products related to biscuits, such as bread, cakes, meat pies and doughnuts are exempt from excise tax.

312. Nigeria is a major producer of certain vegetables, particularly root crops. The main foodstuffs exported by Nigeria have been cocoa beans and cocoa butter. Some cashew nuts and edible vegetables are also exported.

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11 The category of foodstuffs (Tariff Study Category 24, Appendix Table AV.1) includes fruits, vegetables, coffee, spices, cocoa, sugar, flour, eggs and other products.
(a) Cocoa

313. Nigeria has the world’s third largest harvest area of cocoa beans, following Côte d’Ivoire and Ghana. As Nigeria’s yield per hectare is relatively low, Nigeria ranked fifth among world producers of cocoa beans in 1989 (after Côte d’Ivoire, Brazil, Ghana and Malaysia). Production of cocoa bean had averaged well over 200 thousand metric tons per year in the 1970s, but subsequently declined due to factors such as low prices and low levels of replanting.

314. The abolition of the cocoa marketing board at the end of 1986, together with the depreciation of the Naira, greatly increased cocoa farmer’s earnings in terms of Naira and reversed the trend towards declining cultivation. Production is estimated to have risen from 150 thousand tons in 1987 to 160 thousand tons in 1988. However, Nigeria had some problems to sell its cocoa abroad because of the lack of quality control after the abolition of the marketing board.

315. Cocoa beans have been the single most important export crop of Nigeria, accounting for about one half of Nigeria’s non-oil exports in 1988. Exports worth US$233 million made Nigeria the world’s fourth largest exporter of cocoa beans (after Côte d’Ivoire, Malaysia and Ghana).

316. Exports of cocoa beans from Nigeria have fluctuated considerably in recent years, reflecting the Naira’s depreciation and falling world prices. During the period 1987 to 1989, prices of cocoa beans declined about 38 per cent (ICCO daily averages). The value and volume of exports of cocoa products from Nigeria declined sharply in 1987 and 1988.

317. In January 1989, the Government announced that exports of cocoa beans would be banned as from January 1991. With effect from this date, only exports of processed cocoa, that is cocoa butter, cake, powder or liquor, were to be legal. This measure was meant to encourage local processing and to provide more employment opportunities for Nigerians.

318. However, the implementation of the export ban has been postponed, due to opposition from various quarters. For example, it has been pointed out that the processing capacity of cocoa in Nigeria is inadequate for upgrading the export of cocoa. The harvest in 1990 is estimated at between 190 to 200 thousands tons, but the combined installed capacity of the

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12 According to data from the Central Bank of Nigeria, the production of cocoa beans rose from 105 thousand tons in 1987 to 230 thousand tons in 1988. It is estimated to have further risen to 256 thousand tons in 1989.
existing processing plants in the country is put at only 90 thousand tons. Moreover, processing plants are presently operating far below the installed capacity, for example because of outdated equipment and for lack of spare parts.

319. Upgrading of cocoa exports from Nigeria is also made difficult by trade measures implemented in major foreign markets. In particular, while most developed countries accord duty-free treatment for imports of cocoa beans from developing countries, many of them maintain relatively high tariff rates on cocoa paste and cocoa powder. Several developed countries also apply internal taxes (excise taxes) to cocoa products. Cocoa beans and unsweetened cocoa powder are subject to sanitary regulations in certain developed countries.

320. Imports of cocoa and cocoa products into Nigeria are not prohibited. Import duties were raised in 1989. Tariff rates for these items are well above the average for all agricultural products (60 per cent for cocoa beans, 80 per cent for cocoa paste, butter and powder, and 60 per cent for chocolate and other preparations).

(b) Vegetables

321. Nigeria is by far the world's largest producer of yams and taro (coco yams), accounting for 68 and 31 per cent, respectively, of world production of these products in 1989. Nigeria is also one of the world largest producers of cassava, roots and tubers. Production of these products is estimated to have been expanding steadily in recent years. The production of yams, taro and cassava accounts for about one half of Nigeria's staple crops production.

322. In 1988 Nigeria exported 1.6 million tons of edible vegetables (mainly fresh roots) worth N4.4 million. Since 1989, exports of beans, cassava tuber, yam tuber, and their products or derivatives have been prohibited in order to ensure sufficient domestic food supply.

323. Imports of almost all vegetables are prohibited. The only exceptions are flour, meal and flakes of potatoes, and flour and meal of certain vegetables; import duties on these vegetables are currently 30 per cent.

(ii) Grains

324. Grains account for an important part of calorie intake of Nigerians. Sorghum and millet are the largest grain crops in Nigeria, followed by maize, rice and wheat (Tables V.4 and AV.2).
325. Nigeria was the world's fourth largest producer of sorghum in 1989, after the United States, India and China. The harvest area for sorghum grew from an average 3.1 million hectares in 1979-1981 to 4.2 million hectares in 1989 (FAO estimates). In 1989, Nigeria produced an estimated 4.6 million metric tons of sorghum, accounting for almost 8 per cent of world output.

326. Nigeria was also the world's fourth largest producer of millet in 1989, after India, China and the Soviet Union. The harvest area for millet increased from 2.8 million hectares in 1979-1981 to 3.9 million hectares in 1988. In 1989, the harvest area is estimated to have been reduced to 3.4 million hectares. The Nigerian production of millet in 1989 (3.5 million metric tons according to FAO estimates) accounted for 11.5 per cent of world millet production.

327. While the production of other grains, such as maize, rice and wheat, also increased in recent years, growth fell short of Government targets. Under the Government's agricultural policy, self-sufficiency is to be achieved for maize in the short-term, and for rice in the long-term. Production of maize increased from about 1.2 million tonnes in 1985 to about 1.4 million tons in 1988, but is estimated to have slightly declined in 1989. One factor in this development was the sharp increase in the prices for imported inputs, including agricultural machinery and equipment, following the devaluations of the Naira. Rice output rose from 196 thousand tonnes in 1985 to 307 thousand tonnes in 1988. Nigeria exported rice worth US$1.9 million in 1986. Since 1989, exports of rice and maize, and their products, have been prohibited in order to ensure domestic food supply.

328. The Government has prohibited imports of rice and maize, including their products, since October 1985, and of wheat and wheat products since January 1987. In terms of tariff items, 44 per cent of all grains are currently subject to import prohibition.

329. While the main purpose of the import prohibition has been to encourage domestic production and ensure self-sufficiency in food grains, an immediate shortage of these products in the domestic market has resulted in higher prices and lower levels of production in some user industries. For example, difficulties in obtaining maize for feeding caused a substantial fall in the production of poultry meat.

330. Unrecorded imports of rice and wheat are estimated to be substantial. In order to reduce demand for these commodities, the Government has been encouraging consumers to revert to traditional staples such as yams and cassava.
331. In January 1989, the Government of Nigeria raised the tariff rate on sorghum from 20 to 100 per cent with a view to increasing incentives for local production.

(iii) Animals and animal products

332. Nigeria is a signatory to the MTN Agreement Regarding Bovine Meat. The Agreement was concluded as a result of the Tokyo Round negotiations with a view to promoting expansion, liberalization and stability of the international meat and livestock market.

333. The Nigerian Government currently aims at achieving self-sufficiency in the production of poultry meat, mutton and goat meat in the medium-term, and of beef in the long-term (Appendix Table AV.3). In 1988, the Government announced its strategies to achieve these objectives, including:

- the acquisition of grazing land for lease allocation to graziers;

- an import ban on beef and other meats, whether frozen or not, to serve as an incentive for increased production; and

- subsidies to livestock production inputs such as slaughter houses, abattoirs and meat processing facilities.

334. While the output volume of pork, beef, and lamb and mutton registered some increase during the period 1987 to 1989, the production of goat meat remained almost unchanged and that of poultry slightly declined (Table V.4). In Nigeria, gross domestic product of the livestock industry (including milk and eggs) is estimated to have represented 5.9 per cent of GDP in 1989.

335. Import prohibitions currently apply to almost all products in this category. Since 1988, the prohibitions cover live or dead poultry (fowls, ducks, geese, turkeys, guinea fowls excluding grandparent and foundation stocks for research and multiplication purposes, and eggs in the shell including those for hatching). Since December 1989, meat and chicken, whether frozen or not, have been added to the list of banned items.

The information is derived from the Annual Report and Statement of Accounts of the Central Bank of Nigeria, 1989. However, according to the FAO Yearbook, 1989, the production of these meat products is estimated to have been unchanged during the period 1987 to 1989.
336. Domestic production of poultry meat has been stagnant in recent years, largely due to the high cost of poultry feed, such as maize and wheat products. Import bans on maize and wheat as well as the depreciation of the Naira have aggravated the difficulties in the poultry industry. In 1990, the Government set up a task force to explore alternative sources of animal feed.

(iv) **Oilseeds, fats and oils**

337. Nigeria is a major producer of certain oilseeds, fats and oils (Appendix Table AV.4). Nigeria has been one of the world's largest producers of palm kernels, palm oil, and groundnuts.

338. In 1989, Nigeria was the world's second largest producer of palm kernels (after Malaysia), accounting for about 10 per cent of world production. However, while the Nigerian production of palm kernels somewhat declined during the period 1979 to 1989, world production increased over 70 per cent.

339. In 1987, Nigeria was by far the world's largest exporter of palm nuts and kernels, accounting for 73 per cent of world exports in terms of volume and 63 per cent in terms of value.

340. Nigeria ranked third among world palm oil producers in 1989 (after Malaysia and Indonesia), accounting for 7.6 per cent of world production, down from 13.2 per cent in 1979-81. In the early 1970s, Nigeria was among the leading developing country exporters of vegetable oil and oilseeds, especially of palm oil and palm kernel oil. However, production did not keep up with the growth of domestic demand, and in recent years some palm oil has even been imported. In 1989/90 (October to September season), Nigeria's production of vegetable oil was estimated at 787 thousand metric tons, total consumption at 824 thousand metric tons, and palm oil imports at 50 thousand metric tons.

341. Production of groundnuts in Nigeria grew by about 50 per cent during the period 1979 to 1989. In 1989, Nigeria was the world's fifth largest producer of groundnuts, accounting for 3.1 per cent of world production.

342. The production of palm kernel, palm oil, groundnuts, benniseed, sheanuts, soya beans, and groundnut oil is estimated to have accounted for about 6.5 per cent of total Nigerian crop production in 1989.

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14 The figures are based on the "World Oilseed Situation and Market Highlights" (September 1990) by the United States Department of Agriculture.
343. Three out of 79 tariff items in this category are subject to import prohibition. These are vegetable oils, excluding linseed and castor oils used as industrial raw materials.

344. The simple tariff average for oilseeds, fats, oils and their products was 21.2 per cent in January 1991, about half the rate for agricultural products on average. While the tariff average for raw materials (oilseeds and others) was 15.6 per cent, tariff averages were higher for manufactured products such as vegetable oils (22.1 per cent) and other fats, oils, waxes and their products (26.7 per cent).

345. Since January 1991, the Nigerian Government has banned exports of unprocessed palm kernels in order to encourage further processing within the country and to promote exports of palm kernel oil and cake.

(v) Beverages and spirits

346. Soft drinks have been one of the fast growing sectors in Nigeria in recent years, with domestic production growing some 10 times during the period 1972 to 1989. The production of beer and stout grew about 5 times during the period, but since 1986 production has declined slightly. At present, the Nigerian Government does not permit the establishment of new breweries.

347. The Nigerian Government has been promoting the use of local raw materials for the production of beverages and spirits. Imports of malt and barley are prohibited.

348. Domestic producers of many beverages and spirits are highly protected (Appendix Table AV.5). For example, imports of fruit and vegetable juices, sparkling wine, mineral waters, soft drinks, beer and stout are banned. The average tariff on wine was 110 per cent as of January 1991.


350. In 1989, as part of measures to raise Government revenue, excise duties on beer and stout, spirits and wines were increased from 30 to 40 per cent. However, import duties on these products were not changed. As import duties contain landing charges equivalent to excise duties, the increase in excise duty implied a reduction in the nominal tariff rates for these products. However, these tariff reductions had little practical importance in view of the import prohibitions or high tariffs extended to many beverages and spirits.
351. In 1989, the Government replaced the sales taxes on beer and soft drinks, of 3 kobo and 1 kobo per bottle, respectively, by a single rate of 5 per cent of manufacturers' selling prices to distributors.

(vi) Fish, shellfish and products

352. Nigerian fishery products largely consist of artisanal coastal and brackish water catches. In 1989, total catches were estimated at 315 thousand tons. The fisheries industry contributed 1.6 per cent to Nigerian GDP in 1989, down from 2.3 per cent in 1987.

353. Government fisheries policy aims at self-sufficiency in fish production by 1993, and the promotion of exports of shrimps, crabs, oysters, periwinkles and shark fins. The Government has provided various incentives including loans, tax holidays for investors, the promotion of fishing cooperatives, subsidies for production inputs (such as outboard engines, nets and other fishing gear), and fishermen's training activities.

354. In 1988, Nigeria imported fish worth N420 million, representing about 2.4 per cent of Nigerian imports of merchandise (Table AV.6). In December 1989, a Government Decree banned imports of fish, whether frozen or not, except those caught and landed by vessels licensed and authorized by the appropriate Nigerian Authority.

355. Stockfish is the only item for which the Nigerian tariff is bound under GATT. However, the import ban on fish of December 1989 did not make any specific provision for this item. A trade dispute between Nigeria and Norway, a principal stockfish supplier of Nigeria, resulted.

356. Importation of fish products, when authorized, is subject to sanitary regulations in addition to pre-shipment inspection of the quality and quantity of imports. Sanitary certification by a competent authority of the exporting country is required. Samples are tested by agencies recognized by the Nigerian Government. Foreign vessels landing in Nigeria must register with the Nigerian Government. There are licensing fees.

357. Nigeria exported 2,874 thousand metric tons of shrimps and prawns worth N33 million in 1988. According to some observers, the shrimp industry failed to maximize foreign-exchange earnings by exporting products in raw frozen form to traditional markets. In order to ensure product quality, certification by the Nigerian Food and Drug Administration is now required for export of these products. The Nigerian Government is also encouraging the processing of these products by providing facilities for the handling, storage, and processing of shrimps and prawns in three States.
(vii) Tobacco

358. Nigeria's production of tobacco is estimated to have increased slightly from 26 thousand tons in 1987 to 30 thousand tons in 1989. As regards manufactured tobacco, it is estimated that Nigeria produced 8.7 million sticks of cigarettes in 1988, up by one third from the previous year.

359. Imports of unmanufactured tobacco amounted to ₦24.8 million in 1988, representing 0.1 per cent of Nigerian merchandise imports (Table AV.7). Imports of cigarettes had been banned until the end of 1988. In January 1989, as part of fiscal measures to raise Government revenue, and in order to discourage smuggling, the import ban on cigarettes was lifted and import duty on cigarettes was raised from ₦25 for 1000 sticks to 200 per cent ad valorem.

360. In 1989, the excise duty on cigarettes was also raised from 30 to 40 per cent as part of the measures to raise Government revenue. The excise duty is included in the import duty as a landing charge.

(viii) Other agricultural products

361. Several trade measures are applied to other agricultural products, such as cut flowers, plants, vegetable materials, dairy products, and other agricultural products of animal and vegetable origin (Appendix Table AV.8). Some vegetable products are subject to import prohibition.

(3) Industry

362. The Nigerian economy is heavily dependent on production and exports of crude petroleum. However, assisted by Government policies to promote non-oil industries, the share of manufacturing industry has been growing in recent years, albeit slowly. In 1989, the production of crude petroleum is estimated to have accounted for 13.2 per cent of the Nigerian GDP (at 1984 factor cost); that of manufacturing for 9.9 per cent; and that of forestry for 1.8 per cent.

363. A break-down of the Nigerian manufacturing industry, dating back to 1984, is shown in Table V.7. Accordingly, the Nigerian manufacturing sector was dominated by consumer goods industries, accounting for about 75 per cent and 70 per cent of the sector's value added and employment, respectively. Leading industries were food, beverages, tobacco and textiles. The share of intermediate goods' industries in value added of manufacturing was 19 per cent in 1984, down from 29 per cent in 1971/72. Metal working industries dominated the intermediate goods sector. Capital
goods industries accounted for about 7 per cent of the manufacturing sector's value added and employment in 1984.

364. More recent data for selected manufacturing industries suggest relatively rapid output growth for synthetic fabrics, soft drinks, and soap and detergents (Table V.8). In contrast, production of vehicle assembly, radio and television, roofing sheets, paints, footwear, and sugar confectionary appears to have stagnated in recent years. Manufactured exports include textiles, furniture and wood products, detergents and toiletry, and mining products. While recorded exports of manufactured products are still very small, unrecorded exports of these products to neighbouring countries are believed to be substantial.

365. According to a sample survey undertaken by the Manufacturers Association of Nigeria (MAN), average capacity utilization in the Nigerian manufacturing sector stood at about 32 per cent in 1989 (Chart V.4). Thus, industrial capacity utilization remained far below the national target of 60 per cent set for 1989 by the Government. Particularly low rates of capacity utilization were observed in the electrical and electronics sector (14 per cent) and in the steel sector (15 per cent).

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15 See the "Sample Survey of the Performance of the Nigerian Manufacturing Sector (1987-1989)" by the Manufacturers Association of Nigeria. The study was based on a sample survey of about 1,400 member companies of the MAN located all over Nigeria.
### Chart V.4
Capacity utilisation by sectors in Nigerian manufacturing, 1989

<table>
<thead>
<tr>
<th>Sector</th>
<th>Per cent</th>
<th>Average 32.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food, beverage and tobacco</td>
<td>29.4%</td>
<td></td>
</tr>
<tr>
<td>Wood and wood products including furniture</td>
<td>46.7%</td>
<td></td>
</tr>
<tr>
<td>Non-metallic mineral products</td>
<td>63.5%</td>
<td></td>
</tr>
<tr>
<td>Textile, wearing apparel and leather</td>
<td>40.8%</td>
<td></td>
</tr>
<tr>
<td>Chemicals and pharmaceuticals</td>
<td>32.7%</td>
<td></td>
</tr>
<tr>
<td>Domestic and industrial plastic and rubber</td>
<td>39.0%</td>
<td></td>
</tr>
<tr>
<td>Basic metal, iron and steel, fabricated metal products</td>
<td>27.7%</td>
<td></td>
</tr>
<tr>
<td>Motor vehicle and miscellaneous assembly</td>
<td>33.8%</td>
<td></td>
</tr>
<tr>
<td>Electrical and electronics</td>
<td>14.5%</td>
<td></td>
</tr>
<tr>
<td>Pulp, paper, paper products, printing and publishing</td>
<td>32.6%</td>
<td></td>
</tr>
</tbody>
</table>


366. Drawing on the results of the survey, the MAN attributes the low rate of capacity utilization to the lack of financial resources to procure foreign exchange, and weak domestic demand. According to the Association, the survey does not support the widely held view that the level of capacity utilization was positively related to the degree of local sourcing of raw materials.

367. According to the same survey, average local sourcing of raw materials in the Nigerian manufacturing sector rose from about 41 per cent in 1987 to about 44 per cent in 1989 (Chart V.5). An upward trend of local sourcing was observed in all industries. Local sourcing was particularly pronounced in the wood and wood products sector (82 per cent in 1989) and the food, beverage and tobacco sector (63 per cent). It was below average in the electrical and electronics sector (26 per cent), the domestic and industrial plastic and rubber sector (29 per cent), the pulp, paper and paper products sector (32 per cent), the basic metal, iron and steel and fabricated metal products sector (37 per cent), and the motor vehicle and miscellaneous assembly sector (41 per cent).
### Chart V.5
Local sourcing of raw materials by sector in Nigerian manufacturing, 1989

<table>
<thead>
<tr>
<th>Sector</th>
<th>Per cent</th>
<th>Average 44.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food, beverage and tobacco</td>
<td>63.1%</td>
<td></td>
</tr>
<tr>
<td>Wood and wood products including furniture</td>
<td>82.0%</td>
<td></td>
</tr>
<tr>
<td>Non-metallic mineral products</td>
<td>86.1%</td>
<td></td>
</tr>
<tr>
<td>Textile, wearing apparel and leather</td>
<td>57.7%</td>
<td></td>
</tr>
<tr>
<td>Chemicals and pharmaceuticals</td>
<td>44.5%</td>
<td></td>
</tr>
<tr>
<td>Domestic and industrial plastic and rubber</td>
<td>29.4%</td>
<td></td>
</tr>
<tr>
<td>Basic metal, iron and steel, fabricated metal products</td>
<td>36.6%</td>
<td></td>
</tr>
<tr>
<td>Motor vehicle and miscellaneous assembly</td>
<td>40.7%</td>
<td></td>
</tr>
<tr>
<td>Electrical and electronics</td>
<td>28.1%</td>
<td></td>
</tr>
<tr>
<td>Pulp, paper, paper products printing and publishing</td>
<td>31.5%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Manufacturers Association of Nigeria.

368. As main causes for the low level of local sourcing in many sectors, the MAN pointed out such factors as inadequate domestic production of raw materials, the absence of down-stream industries (especially in the petro-chemical and the basic metal and steel sectors), inadequate capital, poor support services such as transportation, and certain policy inconsistencies.

369. As noted in Chapter II, the principal objectives of the current Nigerian industrial policy include (i) increased export of manufactured goods; (ii) increased local content of industrial output; and (iii) attracting foreign capital. In pursuit of these objectives, the Nigerian Government relies on a range of measures, in particular:

- liberalizing access to foreign exchange;
- allowing the exchange rate of the Naira to be determined by market forces;
- fiscal and financial incentives for exports, and research and development;
privatization or commercialization of public enterprises;
- promotion of free trade zones; and
- import prohibition or high tariffs with respect to products which can be replaced by local products.

370. Import prohibitions apply to several manufactured products, including processed wood, textile fabrics and their articles, plastic articles and wares, mosquito repellant coils, aluminium sulphate, and re-treaded and used tyres. In terms of tariff items, imports of about 20 per cent of all industrial products are banned (Chart V.6).

Chart V.6
Share of import-banned items for selected industrial products, January 1989

<table>
<thead>
<tr>
<th>Tariff Study Category</th>
<th>Percentage share in terms of tariff lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>05 Textiles and clothing</td>
<td>95.8%</td>
</tr>
<tr>
<td>17 Furniture</td>
<td>92.6%</td>
</tr>
<tr>
<td>03 Wood and cork</td>
<td>45.2%</td>
</tr>
<tr>
<td>02 Rubber</td>
<td>4.5%</td>
</tr>
<tr>
<td>10 Chemicals</td>
<td>1.1%</td>
</tr>
<tr>
<td>01 Hides and skins</td>
<td>0%</td>
</tr>
<tr>
<td>09 Petroleum, gas and coal</td>
<td>0%</td>
</tr>
<tr>
<td>11,12 Machinery and transport equipment</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Government of Nigeria and GATT Secretariat estimates.

371. Based on the 1991 tariff schedule, the simple average tariff for industrial products is 35.8 per cent, compared with 35.2 per cent in 1989. As evident from Chart V.7, simple average tariffs range up to 72 per cent (textiles), with a peak rate of 300 per cent (batteries and fluorescent).
Chart V.7
Tariff levels for industrial products in Nigeria, 1991

<table>
<thead>
<tr>
<th>Tariff Study Category</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>05</td>
<td>Textiles</td>
</tr>
<tr>
<td>06,07,08</td>
<td>Minerals, ores and metals</td>
</tr>
<tr>
<td>02</td>
<td>Rubber</td>
</tr>
<tr>
<td>01</td>
<td>Hides and skins</td>
</tr>
<tr>
<td>11,12,13,14</td>
<td>Machinery and transport equipment</td>
</tr>
<tr>
<td>03</td>
<td>Wood and cork</td>
</tr>
<tr>
<td>10</td>
<td>Chemicals</td>
</tr>
<tr>
<td>09</td>
<td>Petroleum, natural gas and coal</td>
</tr>
</tbody>
</table>

Source: Government of Nigeria and GATT Secretariat estimates.

372. Under the Industrial Policy launched in 1987, the Government of Nigeria introduced a number of measures designed to promote exports of manufactured products, attract foreign capital and increase private participation in the manufacturing sector (see Chapter III and IV). Many State-owned manufacturing enterprises are considered for privatization or commercialization. For example, companies to be fully or partially privatized include some textile firms and automobile assembling firms; and full or partial commercialization is foreseen for the Nigerian National Petroleum Corporation, the Nigerian Mining Corporation and the Ajaokuta Steel Company.

(i) Petroleum, natural gas and coal

373. Nigeria is well endowed with petroleum, natural gas and coal (Appendix Table AV.9). As already noted, crude petroleum plays a key rôle for the economy. Moreover, Nigeria possesses the largest proven reserve of natural gas in Africa. In 1989, the production of natural gas recovered from its 1980 level and the use of natural gas in energy consumption within Nigeria surpassed that of petroleum products. Nigeria is also believed to possess large coal deposits.
(a) Petroleum and petroleum products

374. Nigeria produces petroleum of high quality, with relatively low sulphur content and light gravity. According to the OPEC Annual Statistical Bulletin, in 1988 proven crude oil reserves in Nigeria were 16 billion barrels, representing 1.6 per cent of world crude oil reserves. The Nigerian reserves remained constant during the period 1984 to 1988, while world reserves increased from 742 to 992 billion barrels.

375. Crude petroleum is estimated to have contributed 13 per cent to Nigerian GDP (at 1984 factor cost), and about 95 per cent to merchandise exports in 1989. Revenue from the petroleum sector is estimated to have accounted for 81 per cent of total Federal Government revenue in 1990.

376. Crude oil production in Nigeria started in 1958. It reached a peak in 1979, with 2.3 million barrels per day (mbd). Since 1981, however, production has remained between 1.2 and 1.5 mbd. In 1988, Nigeria was the world's 13th largest producer (2.4 per cent of world production) and ranked 7th among world exporters of crude petroleum (about 4% per cent of world crude oil exports). Nigeria has been a member of OPEC since 1971. Within OPEC, Nigeria was the 7th largest producer and the 5th largest exporter (after Saudi Arabia, Iraq, Iran, and United Arab Emirates) of crude petroleum in 1989.

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16 According to the 1991 budget speech of the President of Nigeria, the Nigerian Government is implementing its policy decisions to increase Nigerian reserves to at least 20 billion barrels, and production to 2.5 million barrels per day.
Chart V.8
Production and exports of crude petroleum in Nigeria, 1980-88

Million barrels per day

Source: OPEC Annual Statistical Review.

377. Nigeria's production quota for the first and the second quarter of 1990, set by OPEC, had been 1.611 mbd. After the outbreak of the Gulf crisis in August 1990, Nigeria increased its production of crude petroleum to about 1.9 to 1.95 mbd in accordance with a decision by OPEC. The annual average of crude petroleum production in 1990 was 1.81 mbd.

378. Local consumption takes up less than 20 per cent of crude petroleum production. Nigeria's crude oil exports reached a peak in 1979, with 2.2 million barrels per day. Exports declined to 0.9 million barrels per day in 1983, before recovering to between 1.1 and 1.3 million barrels per day during 1984 and 1988.


380. In 1988, 50 per cent of the Nigerian crude oil exports went to the United States, 40 per cent to Western Europe (in particular to the
Netherlands, France, Germany and Italy), and the rest to Africa and Latin America.

381. The petroleum sector is managed by the Ministry of Petroleum Resources and the Nigerian National Petroleum Corporation (NNPC), an integrated State-owned petroleum company. The Corporation holds shares of between 40 and 60 per cent in joint ventures with major foreign petroleum companies for exploration, development, and production of petroleum. The NNPC manages and operates oil and gas pipelines; refining; crude petroleum and petroleum product marketing; and petrochemical processing and manufacturing. Full commercialization of the NNPC has come into effect during 1991.

382. There have been continuing Government efforts to expand the refining sector of NNPC. Refining in Nigeria has remained low by international standards, but increased from 160 thousand barrels per day in 1979 to 295 thousand barrels per day in 1988. Production of refined oil products, such as gasoline, kerosene, distillate fuels and residual fuels, increased from 89 thousand barrels per day in 1979 to an estimated 138 thousand barrels per day in 1988. Exports of refined products were estimated at 21 thousand barrels per day in 1988.

383. In 1982, NNPC initiated the first phase of a development programme for a petrochemical industry based on refinery feedstocks with US$500 million in construction contracts. The plants were built at the Kaduna and Warri oil refineries and have since gone into operation to produce polypropylene, linear alkyl/benzene and carbon blanc. The second phase of the programme, which is based on natural gas as feedstock, is currently under construction at Eleme near Port Harcourt, and is expected to cost about US$2 billion.

384. The tax break on dividends for inward foreign investment in Nigerian firms (Chapter IV) is extended from three to five years if the Nigerian firm is engaged petrochemicals (or agriculture).

385. In 1989, the Government introduced a petroleum price differential between private car owners on the one hand, and commercial vehicle operators and motorcyclists on the other. While one litre of petrol for use by the former was priced at 60 kobo, the price for use by the latter was 42 kobo. However, due to malpractices and abuses of the system, the Government abolished the dual pricing system towards the end of 1989, and unified the price at 60 kobo per litre for both private and commercial vehicle owners. In March 1991, the unified price was raised to 70 kobo (equivalent to about US$0.7).
386. In January 1991, the President of Nigeria announced in his budget speech that the former Petroleum Inspectorate of NNPC would be restructured into an autonomous commission called the Petroleum Inspectorate Commission. The responsibility of the commission would be to supervise the activities of participants in the petroleum industry, whether public or private, and to ensure compliance with all established standards and regulations in a technically and economically sound manner.

(b) Natural gas

387. In 1988, proven natural gas reserves in Nigeria amounted to 2,476 billion cubic metres, representing about 2 per cent of proven natural gas reserves in the world. According to the Nigerian Government, production of natural gas declined from 25 billion cubic metres in 1980 to less than 20 billion cubic metres in the following years, but, in 1989, recovered to slightly above the 1980 level. The drop from 1980 was attributed to the Gas Re-Injection Decree of 1979, which made it an offence to produce and flare gas.

388. The main domestic customer for natural gas is the National Electric Power Authority. The use of natural gas for electric power generation rose rapidly to account for 51 per cent of total Nigerian energy consumption in 1989. However, only one quarter of gas production was actually utilized (the rest was flared off at the well head), a low rate by international standards.

389. Various Government schemes have been implemented to improve the utilization of natural gas. They include the construction of LNG plants in the form of international consortia between NNPC and foreign companies, the construction of gas-fed fertilizer plants, and the utilization of gas for chemical industries.

390. The rate of import duty on natural gas is currently 20 per cent (inclusive of an excise duty of 5 per cent), scheduled to be increased to 25 per cent from 1993. The royalty rate on natural gas is currently 7 per cent for on-shore fields, and 5 per cent for off-shore fields.

(c) Coal

391. Nigeria is richly endowed with steam coal. Coking coal of good quality for the production of steel is locally not available. Estimates

\[17\] The figures are based on the annual Statistical Bulletin of OPEC, 1988.
of coal reserves in Nigeria vary from 270 million to 1 billion tons. The reserves are concentrated in the Enugu region.

392. Coal production in Nigeria reached a peak of 940 thousand metric tons in 1958, but fell to 176 thousand metric tons in 1980 and an estimated 81 thousand metric tons in 1989. Inadequate financing, unreliable power supplies and obsolete equipment are considered to be the main reasons for the sharp decline in production. Nigeria exported about 25 thousand tons and imported about 5 thousand tons of coal in 1988.

393. The Nigerian Coal Corporation seeks to increase production to 3 million metric tons per year, of which 2 million tons for export. Renewed efforts have been made to mechanize existing mines. For example, in 1989, the Corporation entered into an agreement with a foreign consultant to reactivate a coal mine at Enugu.

394. The National Electric Power Authority, the Nkalagu Cement company, and the Nigerian Railway Corporation are presently the major coal consumers. In 1989, domestic consumption of coal for energy was 68 thousand metric tons, representing 0.3 per cent of total energy consumption in Nigeria.

(ii) Raw hides and skins, leather and furskins

395. In the early 1970s, Nigeria was one of Africa's major exporters of hides and skins, Appendix Table AV.10). Exports declined greatly in the mid-1980s, but, in 1987 and 1988, exports rebounded to a level of 3 to 4 thousand tons. Buoyant exports of raw hides and skin reduced the availability of these materials for local tanners. In order to promote exports of processed leather products rather than raw materials, the Government banned exports of raw hides and skins with effect from January 1990.

396. Import duties escalate by stage of processing. Ten per cent import duties apply to raw materials (raw hides and skins, and raw furskins); 20 per cent duties to semi-manufactured products (leather and tanned or dressed furskins); 40 to 55 per cent duties to articles of leather (travel goods and handbags etc.); and 85 per cent to articles of furskins. Duties for raw materials and semi-manufactured products are scheduled to increase by 5 percentage points in 1993. Duties for articles of furskins are to be reduced by 5 percentage points in 1993.

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18 The production figures are based on Nigerian Government statistics, and the trade figures on the "World Energy Statistics and Balances 1985-1988", IEA, OECD.
397. The tariff rates include excise duties of 5 per cent for most articles of leather, 10 per cent for saddlery and harness, and 20 per cent for articles of furskins and artificial fur.

(iii) Rubber

398. Nigeria is a major producer of natural rubber (Appendix Table AV.11). With an estimated output of 68 thousand metric tons in 1988. Forty-seven thousand metric tons were exported, making Nigeria the world's sixth largest exporter of natural rubber (1.2 per cent of world exports). Exports of natural rubber further increased by over 50 per cent to 73 thousand metric tons in 1989 (1.8 per cent of world exports).

399. Despite the sizable production of natural rubber, Nigeria has been a net importer of manufactured rubber products such as tyres. Imports of manufactured rubber declined from N448 million in 1987 (accounting for 2.9 per cent of the total merchandise imports) to N332 million in 1988 (1.9 per cent).

400. Imports of retreaded and used tyres are prohibited.

401. Average tariffs increase from 13.8 per cent for raw rubber to 24.1 per cent for semi-manufactured products, and to 30.9 per cent for manufactured articles. Tariffs on synthetic rubber and tubes (10 to 20 per cent) are scheduled to be raised by 5 to 10 percentage points during 1993 and 1994. At the same time, duties in the range of 30 to 35 per cent for tyres and other articles of rubber are scheduled to be reduced by 5 percentage points. For rubber tyres and tubes, import duties include 5 per cent excise duty.

(iv) Wood and cork

402. Nigeria was once a major producer of wood products (Appendix Table AV.12). However, due to fast depletion of timber stocks, domestic timber production generally stagnated in the 1980s. Nigeria's total forest resource is currently estimated to be about 9.6 million hectares, down from 16.4 million hectares in 1975. Gross domestic product of the Nigerian forestry industry is estimated to have contributed 1.8 per cent to GDP in 1989.

403. Most forestry production in Nigeria is roundwood. The production of sawn wood, wood-based panels, and paper and paper board accounts for only 1 per cent of forestry production.

404. Nigeria exports some wood, but uses most of its industrial roundwood fellings and their products domestically. Exports of processed or unprocessed timber and wood in the rough, excluding furniture and furniture
components, have been prohibited since 1988. Nigeria has become a net importer of wood semi-manufactures.

405. The Government aims at rapidly achieving self-sufficiency in forest products. Government measures include ecological specialization in production; conservation; the establishment of private and communal forests; promotion of cooperative societies; and Government subsidies for inputs such as seed and seedlings, fertilizers, agro-chemicals, forest operation equipment and facilities, and forest extension services.

406. Import prohibitions apply to processed wood (excluding wood in the rough, squared or half squared but not further manufactured) and particle board; furniture and furniture products; and wooden cabinets for radio and television sets. In terms of tariff items, over 45 per cent of all products in this category are affected by the import prohibitions.

407. Tariffs on wood and cork promote processing of these products in the country. Tariff averages for wood and cork in the rough were lowered in 1990 from 10.6 per cent to 7.6 per cent. On the other hand, tariff averages for wood-based panels and manufactured articles have been kept at 26.7 and 31.5 per cent. Tariff averages for semi-manufactured products are 18.9 per cent.

(v) Textiles and clothing

408. The textile and clothing industry has been one of the leading industries in Nigeria's manufacturing sector. Its estimated 80,000 to 100,000 employees produce about 20 per cent of the value of gross output of the manufacturing sector. The Nigerian textile and clothing industry (Appendix Table AV.13) is heavily protected, mainly by way of prohibiting imports of a range of competing foreign products and by high tariffs.

409. Except for a small number of items, imports of textile fabrics of all types and articles thereof (HS Chapters 50 to 63) are prohibited (780 of the 814 tariff items in this category). The simple average tariff for this category is currently 72.2 per cent.

410. The production of the textile industry declined sharply during the period 1983-86 due to the recession of the Nigerian economy (Table V.9). Moreover, lack of spare parts and import restrictions on raw materials contributed to a substantial drop in capacity utilization, from about 80 per cent in 1981 to 22 per cent in 1986 (according to data of the Nigerian Federal Office of Statistics).

411. However, since 1986 production of textiles, particularly synthetic fabrics, has increased rapidly. Capacity utilization also recovered to
46 per cent in 1988. The Government of Nigeria attributes the recovery to an increased level of local sourcing of raw materials.\(^{19}\)

412. Due to the import ban on almost all textile products, imports of textiles and clothing account for a very small share in total imports. In 1988, imports of cotton yarn and thread, cotton fabrics and other textile fabrics, made-up articles of textiles materials, and special textiles fabrics and related products, altogether, amounted to ₦269 million, accounting for 1.5 per cent of merchandise imports.

413. Nigeria has been a net importer of cotton, a major raw material for its textile industry. In 1989/90 (1 August to 31 July season), Nigeria produced 160 thousand units (480 lb bales) of cotton, exported 15 thousand units and imported 115 thousand units. Domestic production is expected to increase to 200 thousand units in the 1990/91 season, and imports to decrease to 90 thousand units.

414. A 60 per cent customs duty is imposed on imports of cotton, as well as on competing inputs such as synthetic and artificial tow and staple fibres.

415. Nigeria has not been a signatory to the Multilateral Fibre Agreement (MFA). Nigeria has duty-free access to the EEC under the Lomé Convention. On 30 August 1990, the United States imposed restrictions on imports of Nigerian textiles, invoking Section 204 of the Agricultural Act of 1956 to protect its textile market. After bilateral consultations, the two countries concluded, in February 1991, a memorandum of understanding setting an annual ceiling of 25 million square metres for Nigerian exports of all brands of textiles to the United States.

416. Nigerian law requires that at least 40 per cent of the capital of textile companies must be Nigerian.

(vi) Minerals, ores and metals

417. Minerals, ores and metals (Appendix Table AV.14) cover a broad range of products, including crude minerals, fertilizers, other mineral

\(^{19}\)According to a sample survey by the Manufacturers Association of Nigeria, capacity utilization in the industry continued to decline from 45 to 41 per cent during the period, while the rate of local sourcing of raw materials in the Nigerian textile and leather industry increased from 52 per cent in 1987 to 58 per cent in 1989.

\(^{20}\)The figures are based on the "World Cotton Situation" (September 1990) by the United States Department of Agriculture.
manufactures, glass, precious stones, ores, iron and steel, non-ferrous metals, and metal manufactures. Nigeria produces several minerals and ores, including solid minerals (e.g. tin ore, columbite, limestone and marble), iron ore, phosphates, lead, zinc and tantalite. Uranium deposits have been discovered, but remain to be exploited.

418. The Government of Nigeria has promoted downstream industries such as steel, fertilizers and cement, largely through State-owned companies. Many of these companies are expected to be either privatized or commercialized in the future. Most steel and fertilizer companies are currently heavily supported and subsidized by the Government.

419. Import duties on minerals, ores and metals vary between zero and 200 per cent. Upon removal of an import prohibition applied until the end of 1988, import duties on jewellery and precious stones were raised to 200 per cent. Import duties for several steel products were substantially raised in January 1991, in some cases up to 100 per cent. On the other hand, import duties on pig iron and fertilizers have been reduced to 10 per cent and zero, respectively.

420. Excise duties are not imposed on minerals and ores or metals, but apply to ceramic articles, glass articles, pearls and other precious stones, iron and steel products, and some metal manufactures. Excise duties on these items vary between 5 and 20 per cent.

(a) Iron and steel

421. Since the mid-1970s, the Government of Nigeria has embarked upon ambitious projects aimed at achieving self-sufficiency in steel production. At present, there are five steel mills in Nigeria which are wholly owned by the Federal Government, and some small companies owned by the private sector. The major Government-owned steel mills are the Delta Steel Company and the Ajaokuta Steel Company.

422. The Delta Steel is a direct reduction plant with an installed annual capacity of 1 million metric tonnes of billets and rolled products. It currently operates at about 15 per cent of its capacity (the highest capacity utilization thus far achieved by the Delta Steel Company was 25 per cent in 1985).

423. The Ajaokuta steel complex, situated in Kwara State, has been under construction by a number of foreign companies since 1980. The original completion target of the first phase of the complex has been long delayed, and it is now set for 1992. The second phase of the complex aiming at producing flat steel is scheduled to commence in 1992. When completed, the
complex is expected to have an initial capacity of 1.3 million metric tons (MT) and a long-run capacity of 5.3 million MT.

424. Based on the firm belief that the steel industry is a backbone of industrial development, the Government of Nigeria has invested heavily in the Ajaokuta steel project. It is reported that about US$4 billion have been already spent for the construction of the Ajaokuta steel complex, and that another US$2 billion may be required for the complex to be operational. As the plant is situated 250 kilometres inland on the Niger river, either the river will have to be dredged or a railway line will have to be built to link the site with the national transport network. The Government is constructing the Ajaokuta rail line and the Osara Dam as components of the main Ajaokuta project.

425. Currently, more than 60 per cent of the raw materials for Nigerian steel production are imported. The quality of local Nigerian iron ore is considered to be too low for use in steel production. The construction of a plant to improve ore quality is planned, but it may take some years before its completion. Coking coal is also mostly imported as Nigeria lacks high quality coking coal. Furthermore, certain other inputs for the steel production such as ferrous alloys and billets are imported.

426. Production technology is also heavily dependent upon supply from abroad. Capital equipment and technological know-how have been largely provided within the context of turn-key project agreements with multinational firms, particularly European firms. The Nigerian technical staff of the steel industry amounts to about 8,000 persons. Many of these employees have been trained overseas under the agreements with the foreign firms, but the industry is still highly dependent on expatriate workers.

427. The production of crude steel increased during the early 1980s up to 1985, but then declined from over 320,000 MT in 1985 to 139,000 MT in 1988 (Table V.10). The range of steel products made in Nigeria is mainly limited to materials for the construction and building industry. In 1988, Nigerian imports of iron and steel products amounted to

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22 According to the Federal Ministry of Mines, Power and Steel, Nigerian steel companies "could not sell their finished products piled up in their warehouses due to unfair competition from imported products", and glut in the local steel market is explained as "only small time users purchase local steel products while big construction companies embarked on importation of steel products". This statement is contained in a note submitted by the Ministry to the GATT Secretariat for the Trade Policy Review of Nigeria.
M2,350 million, accounting for 7.7 per cent of merchandise imports of Nigeria, and about one third of imports of manufactures.

428. The average tariff for iron and steel was 20.9 per cent in 1989. A 5 per cent excise duty is applied to bars and rods of iron and steel, and some articles of iron or steel. There have been several adjustments in tariffs for iron and steel products since 1989, and as a result, the average tariff increased to 28.4 per cent.

429. Import duties on several semi-manufactured steel products and raw materials for steel were actually reduced in the 1990 and 1991 Tariffs. The products affected are generally not available, or not available at the required quality, in Nigeria. In particular, import duties on some flat-rolled products of iron or non-alloy steel were reduced from 45 to 15 per cent or from 20 to 15 per cent for the period 1990-1991. In the 1991 Tariff, import duties on pig iron and ferro-alloys were reduced from 15 to 10 per cent for the period 1993-94, and those on some wire of iron or non-alloy steel were reduced from 30 to 15 per cent for the period 1991-92 and from 25 to 15 per cent for the period 1993-94.

430. On the other hand, a number of import duties on semi-manufactured steel products were raised in the 1991 tariff. The tariff increases covered iron and non-alloy steel in ingots (from 10 per cent in 1990 to 50 per cent for the period 1991-94), bars and rods of iron or non-alloy steel (from 40 to 75-80 per cent for the period 1991-94), and wire of iron or non-alloy steel (from 30 to 100 per cent for the period 1991-94). According to press reports, these tariff increases have led to an almost complete halt in the importation of the products affected.

(b) Fertilizers

431. The Government of Nigeria has put great emphasis on increasing

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\(^{23}\)The figures refer to the definition of iron and steel in the Standard International Trade Classification, Rev.2, Division 67.

\(^{24}\)In January 1990, the President of Nigeria directed that the Ministry of Mines, Power and Steel should submit proposals for a new tariff structure to the Tariff Review Board. Subsequently, the Ministry submitted proposals to raise import duties from 10 to 45-60 per cent for steel billets, from 40 to 100 per cent for reinforcement bars and rods, from 25 to 100 per cent for wire coils and sections, and from 25 to 1,000 per cent for drawn wire. The proposals were modified by the Tariff Review Board to an increase of duties in the range of 50 to 100 per cent before submission to the Council of Ministers. In March 1990, the Council of Ministers rejected the proposals, noting that they lacked merit and were ill-timed as there was no convincing explanation for such an early and isolated tariff review. However, the President of Nigeria finally over-ruled the decision of the Council of Ministers and increased import duties on a number of steel products.
domestic production of fertilizers. The fertilizer plant of the National Fertilizer Corporation of Nigeria at Onne in River State became fully operational in 1987, with an annual capacity of about 700 thousand tons (equivalent to 80 per cent of the domestic demand of fertilizers in 1985).

432. The National Fertilizer Corporation of Nigeria is in the list of enterprises to be fully commercialized. However, the Government still maintains a monopoly on importation, transportation and distribution of fertilizers. In 1987, the Government of Nigeria procured about 1 million tons of fertilizers at an estimated price of about N54 million. The fertilizers were distributed to local farmers at subsidized prices. In 1988, the same volume of various types of fertilizers was envisaged to be made available by the Government. Problems in the distribution of subsidies have been reported.

433. Fertilizers are among the few items whose prices have remained subject to Government control. According to the 1990 budget speech of the President of Nigeria, the level of Government subsidy for fertilizers ranged between 54 to 79 per cent of the market price in 1990.

434. Nigeria imported N261.4 million of manufactured fertilizers in 1987, equivalent to 1.7 per cent of its merchandise imports. However, in 1988, owing to the domestic production at the Onne plant, the amount of imports of manufactured fertilizers greatly declined to N97.8 million, or 0.6 per cent of merchandise imports.

(c) Cement

435. Installed capacity of cement in the seven Nigerian factories was a little over 5 million tons per year in 1988, corresponding to nearly one half of the country's demand for cement. However, with capacity utilization at 70 per cent, the plants supplied less than 40 per cent of domestic consumption. Imports of cement amounted to N138.8 million in 1988, representing 0.8 per cent of Nigeria's merchandise imports. The current

25 The Government holds that given huge deposits of natural gas suitable for nitrogenous fertilizer production, Nigeria's potential for the production of fertilizers is large, and even export of them could be envisaged.

26 In the 1989 budget speech, the President of Nigeria stated that "the distribution of subsidized fertilizer to farmers is currently subjected to abuse which yielded undeserved financial benefit to middlemen instead of farmers for whom the programme was designed. In order to curve this detestable development, the Government is working out appropriate modalities for the administration of subsidy on agricultural output in place of the present subsidy on agricultural input."
import duty on cement is 20 per cent, scheduled to be raised to 25 per cent from 1993.

(d) Other minerals, stones, ores and non-ferrous metals

436. As shown in Table V.11, output of the main solid minerals produced in Nigeria (tin ore, columbite, limestone, marble, etc.) has largely declined in recent years. Tin ore production declined from 3,542 metric tons (MT) in 1980 to 194 MT in 1986, before slightly picking up again to an estimated 350 MT in 1989. Nigeria's primary tin production declined from 1,300 MT in 1984 to 100 MT in 1986, but recovered to 600 MT in 1987 and 800 MT in 1988. The production of columbite in Nigeria fell from 554 MT in 1980 to an estimated 47 MT in 1989. The production of other solid minerals, particularly marble, also greatly declined.

437. Nigeria is a member of the Association of Tin Producing Countries. According to the agreement of the Association, Nigeria's export quota of tin metal was 1,000 tons for 1989/90 (March to February).

438. The weak performance of the industries producing tin ore and other mineral products is related to a variety of factors. For example, the drastic decline of tin ore production was partly due to the glut in the international tin market and the collapse of the International Tin Council's price support system in October 1985. High production costs and lack of spare parts and equipment added to the industry's problems and led to a cessation of exploration. More generally, Nigeria's mining industry suffers from "perennial and deteriorating problems of obsolete and malfunctioning equipments, inadequate infrastructural facilities, inaccessibility of mines to flooding and high and rising transportation costs". It is also noted that there appears to be substantial illegal mining and smuggling activities so that there may be a wide gap between the official production figures and actual production.

439. Nigeria also produces lead and zinc, but output has been marginal. According to the Nigerian Government, copper deposits exist in Nigeria, but they have not been exploited.

440. Nigeria's registered imports of aluminium worth ₦133.7 million in 1988, accounting for 0.8 per cent of merchandise imports. In 1990, the Government of Nigeria began constructing an aluminium smelter, a joint

venture with a foreign firm, in Akwa Ibom State. The investment is estimated at about US$1.5 billion.

441. Nigeria imports a wide range of other items in this product category, especially hand tools, other metal manufactures, metal containers for storage and transport, and household equipment of base metal. Imports of aluminium sulphate including alum are prohibited (this item is included among chemicals in the Tariff Study).

442. In the ores and metals sector, tariffs strongly escalate with increasing stages of processing. The simple average tariff is 9.5 per cent for ores and metal waste, 19.5 per cent for non-ferrous metals, and 39 per cent for metal manufactures. Some metal manufactures are currently subject to excise duty of 5 to 20 per cent.

(vii) **Chemicals**

443. Major chemical industries (Appendix Table AV.15) in Nigeria are the manufacturers of soap and detergent, other pharmaceutical products and paints. The production of soap and detergents grew rapidly in the mid-1980s, while the production of paints stagnated (Table V.8). Many firms operated at very low levels of capacity utilization. For example, the rate of capacity utilization of the sector as a whole was 33 per cent in 1989 according to a sample survey by the Manufacturers Association of Nigeria, and that of manufacturers of paints was 14 per cent in 1989 according to a survey by the Central Bank of Nigeria.

444. Nigeria's imports of chemicals expanded rapidly in recent years. Imports of chemicals are estimated to have increased from N1 billion in 1986 to N6.7 billion in 1989. In 1989, chemicals accounted for about 22 per cent of merchandise imports of Nigeria. The major import items were chemical elements, plastic materials, dyeing, tanning and colouring materials (other than paints), medicines and drugs.

445. Imports of domestic articles and wares made of plastic materials including babies' feeding bottles, mosquito repellent coils and aluminium sulphate are prohibited. Mosquito repellent coils were added to the prohibition list in 1991, after their tariffs had been raised to 200 per cent in 1990.

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446. The simple average tariff for the sector is 20.6 per cent. Within
the sector, the highest average tariff (52.1 per cent) is observed in a
product group encompassing perfumery, cosmetics, soaps and cleaning
preparations. In 1990, tariff rates on certain items such as peptons and
other modified starches were raised to 200 per cent.

447. Under the Food and Drug Decree of 1974, the manufacture, sale and
advertising of food, drugs, cosmetics and items such as pesticides are
regulated, and all pharmaceuticals must be registered in Nigeria (see the
section on standards in Chapter IV). In order to prevent the manufacturing
of fake drugs in Nigeria, the Nigerian Government promulgated a Decree in
1988; a task force has been set up in each State to prevent the sale of
fake drugs.

(viii) Machinery and transport equipment

448. Nigerian production of machinery and transport equipment (Appendix
Table AV.16) greatly declined in recent years. As the sector has been
heavily dependent on imports of parts and technology, the industries in
this sector were heavily affected by the sharp depreciation of the Naira in
the 1980s.

449. Imports of machinery and transport equipment amounted to about
N10 billion in 1988, accounting for 40 per cent of total merchandise
imports. Major import items are machines for special industries,
non-electric power generating machinery, spare parts for motor vehicles,
and passenger cars.

450. Import prohibitions do not apply to this sector. Import duties
generally range between 10 and 40 per cent, except for products such as
batteries (300 per cent), fluorescent (300 per cent) and passenger cars
(100 per cent). Excise duties of 5 per cent are applied on most machinery
products (10 or 20 per cent for some items). Transport equipment is not
subject to excise duty.

(a) Machinery

451. The Nigerian machinery industry largely consists of manufacturers and
assembly firms of electrical and non-electrical consumer goods. The
production of capital goods has been very limited in this sector
(Table V.7). According to a sample survey of the Manufacturers Association
of Nigeria, in 1989, about 74 per cent of raw materials used in the
electrical and electronic sector were imported. Estimates by the
Association for the same year point to a particularly low level of capacity utilization (14 per cent).

452. The production of radio cassettes declined from 528 thousand units in 1982 to 171 thousand units in 1986. During the same period, the production of TV sets declined from 243 thousand units to 84 thousand units.

453. The shares of several machinery items in Nigerian imports of increased between 1984 and 1988. These items include machinery for special industries, non-electric power generating machinery, agricultural machinery, office machines, metal working machinery, textiles and leather machinery, radio and TV sets, and domestic electric equipment. On the other hand, imports of electric power machinery expanded less rapidly than Nigeria’s total imports of merchandise.

454. The simple tariff average for non-electric machinery is 15.4 per cent, with tariff peaks up to 60 per cent. Tariffs for electrical machinery are considerably higher, as evident from the simple average of 32.5 per cent and the peak rate of 300 per cent.

(b) Transport equipment

455. This sector includes passenger cars, buses, and other transport equipment. Production of passenger cars and buses in Nigeria has been largely in the form of assembly operations.

456. The output of the Nigerian transport equipment industry declined in the second half of the 1980s (Table V.8). In 1987, about 10 thousand passenger cars were assembled or produced, corresponding to about 12 per cent of the production level in 1980. The number of motor vehicles newly registered in Nigeria also sharply declined, from about 200 thousand in 1982 to 16 thousand in 1988.

457. According to the survey of the Manufactures Association of Nigeria, the Nigerian motor vehicle and miscellaneous assembly sector procured about 59 per cent of raw materials from abroad in 1989, compared to 65 per cent...
in 1987. The availability of locally produced automotive parts is still limited. In view of the high import dependence of the industry, the depreciation of the Naira since 1986 caused a significant increase in production costs. Capacity utilization in the sector declined from 37 per cent in 1987 to 34 per cent in 1989.

458. The 1988 tariff reform restructured import duties on components of cars in order to enable the domestic vehicle assembly industry to compete with imported vehicles. For example, import duty rates for parts and accessories of passenger cars are generally 25 per cent, but the rates for passenger cars range from 35 per cent to 100 per cent, depending on cylinder volume.

459. Import duties for tractors, vehicles for public transport and transport of goods, including parts, are kept lower than duties for passenger cars. Tariff rates currently range from zero to 15 per cent. With reference to the Government's concern for commuters, the 1990 budget allowed CKD (completely knocked down) components of motor vehicles for public transport to be imported duty free by established commercial motor vehicle assemblers and manufacturers.

460. A major revival of domestic demand for passenger cars is considered to be unlikely in the short term because of falling per capita income in Nigeria. On the other hand, the Government plans to invest more in the public transport system.

(ix) Other industrial products

461. This residual group covers a heterogeneous range of products such as pulp, paper and paperboard, footwear and travel goods, photographic supplies, furniture, musical instruments, toys, works of art, firearms and stationery supplies (Appendix Table AV.17). Except for furniture, most of these products are not subject to import prohibition. Simple average tariffs for individual product categories range between about 30 per cent and 74 per cent. A number of products such as footwear, travel goods and musical instruments are subject to excise duties of 5 to 10 per cent.
VI. TRADE DISPUTES AND CONSULTATIONS

462. Nigeria has no statutory domestic procedures for conducting consultations or negotiations with trading partners in the event of trade disputes.

(1) GATT Dispute Settlement

463. Nigeria has never been involved, as a complainant or defendant, in any GATT dispute settlement procedure under Article XXII and XXIII.

(2) Other Disputes

464. Under the Lomé Convention with the European Communities, any dispute concerning the interpretation or the application of the Convention is to be referred to the Council of Ministers for settlement. The Council of Ministers is composed of the members of the EC Council, members of the EC Commission and a Government member of each ACP State. There have been no disputes involving Nigeria.

465. The ECOWAS agreement provides for special dispute settlement procedures among member States.

466. Several trade disputes involving Nigeria have been dealt with by way of bilateral negotiations or consultations. According to the Nigerian Government, recent major trade disputes include:

- Nigeria's exports of textiles to the United States (as noted in Chapter V, a memorandum of understanding was concluded between the two countries in February 1991, setting a quota on Nigerian exports of textiles to the United States);

- a complaint from Norway about Nigeria's import ban on stockfish;

- a complaint from Côte d'Ivoire about Nigeria's import ban on textiles;

- a complaint from the United States about Nigeria's import ban on wheat and rice; and

- Nigeria's complaint against Italy about the disposal of toxic waste.