NOTES ON INDIVIDUAL COUNTRIES BY THE SECRETARIAT

NIGERIA

I. Basic economic data

1. Nigeria has an area of 357,000 square miles (about twice the size of Spain) and a population of over 40 million. Besides a small federal territory around its capital Lagos, it consists of three regions; the North (comprising three-quarters of Nigeria's total area and half of its population), the West and the East. The annual growth of the population is estimated at around 2.2 per cent.

2. In 1960 Nigeria's gross domestic product was £1.1 thousand million, and gross domestic investment £168 million. Agriculture constituted 52 per cent of the gross domestic product, 78 per cent of exports and supports 75 per cent of the population.

3. Government finance (Federal and Regional) in 1960/61 comprised receipts of £115 million, expenditure of £163 million (of which £68 million on capital account), leaving a deficit of £48 million. In 1960 revenue from import duties was £51 million (including £9 million on cotton piece goods, £4 million on petrol and £3 million on tobacco), from export duties £15 million (cocoa £5.2 million, groundnuts and groundnut oil £2.7 million, palm products £5.8 million) and from excise duties £5.4 million (£4.4 million from tobacco and £1.0 million from beer).

4. Exports (including re-exports) in 1961, amounted to £173 million, of which the major items were cocoa £33.7 million (184,000 tons), groundnuts £32.2 million (494,000 tons), palm kernels £19.9 million (411,000 tons), palm oil £13.2 million (165,000 tons), cotton £11.1 million (48,000 tons), rubber £11.0 million (55,000 tons), groundnut oil £5.0 million (45,000 tons), groundnut cake £1.9 million (75,000 tons), and petroleum oil £11.5 million. Imports in 1961 amounted to £222 million.
II. 1962-68 Development Plan

(a) Targets, investment and financing

5. The Plan aims at an increase in real national income of 4 per cent per annum to provide a GDP of £1.5 thousand million by 1968.

6. The Plan envisages a total investment of £1.2 thousand million over the six-year period, £676 million in the public sector and £524 million in the private sector. This figure represents 15 per cent of the projected GDP. In the public sector 13 per cent of investment is allocated to trade and industry and 14 per cent to agriculture and primary production.

7. The financing of the public sector investment under the Plan will be made up as follows: £263 million from current surpluses of the Federal and Regional Governments and £327 million grants and loans from foreign sources. The uncovered gap of £86 million in the public sector will, it is hoped, be covered by reductions in current expenditure, additional foreign aid and, if necessary, by a running down of the foreign exchange reserves. Of the £524 million projected investment in the private sector it is thought £154 million will come from abroad.

8. The total envisaged foreign capital inflow of £481 million (£327 million for the public sector and £154 million private investment) will cover the estimated balance-of-payments gap on current account through the Plan period.

(b) Major features

9. A principal objective of the Plan is the diversification of the Nigerian economy particularly through the growth of manufacturing industry. Where necessary both the Federal and Regional Governments are prepared to invest in manufacturing industry either alone or by participation with private interests. Growth in the manufacturing sector will, as in the past, be based on the processing of local produce and materials to provide added value before export and on the substitution of locally manufactured consumer goods for imports in the Nigerian market. There are also prospects for exports of consumer goods to neighbouring African States.

10. The largest single project in the Plan is the construction of the Niger Dam at a cost of £68 million. The principal purpose of the dam is to provide cheap hydro-electricity but its secondary effects will include flood regulation, irrigation and new fishing potentialities. Other major projects include the construction of a steel mill (£30 million) and a refinery to process local petroleum deposits. The Plan also provides for additional textile mills to absorb cotton grown in the country, factories to process locally grown rubber and a variety of plants to produce consumer goods of types now imported in large quantities.
11. The Plan, however, takes into account that agriculture must, in the immediate future at least, continue to be the mainstay of the economy and the most important contributor to Nigeria's export earnings. It is hoped to step up production both of food for local consumption and of export crops. As regards export crops, both the Eastern and Western Regions plan to increase rubber production and, in the West, it is expected that production will grow by 10 per cent during the Plan period. The Western Region is investigating the export potentialities of coconuts and coffee. The Northern Region's plan estimates that cotton production will double during the Plan period reaching a volume of 600,000 bales by 1968. Cottonseed production will likewise grow reaching a total of 140,000 tons with 100,000 tons being crushed in local mills. At present the Region produces 13,000 tons of soyabeans and it is hoped to double production of this commodity by 1968 with 10,000 tons destined for local crushing.

(c) Exports and imports

12. The Plan forecasts that total exports will rise from £164.9 million in 1960 to £239.4 million in 1967 and that imports will increase by 31.8 per cent from their 1960 level of £215.9 million to £284.5 million in 1967. The Plan does not provide a breakdown showing the contribution of individual commodities to total exports. However, it is assumed in the Plan that petroleum will, by 1967, have displaced cocoa as the largest single foreign exchange earner and it can be expected that exports of commodities such as rubber and cotton will increase substantially. Although it is therefore probable that their relative importance will decline, it is nevertheless clear that cocoa, groundnuts, groundnut oil and palm produce will together continue to be the major component of Nigeria's export earnings in the period. The secretariat has prepared a table which appears below showing estimates of the volume of exports of these major tropical products by the end of the Plan period (1968) and the value of such exports under certain price assumptions. The volume estimates are based on the assumptions set out below the table.

<table>
<thead>
<tr>
<th>Product</th>
<th>Average Annual Quantity</th>
<th>Average Annual Value of Exports</th>
<th>Estimated Total Quantity in 1968</th>
<th>Average Price 1956/60 £ per ton</th>
<th>Value of Exports 1956/60 £ m.</th>
<th>Value of Exports 1956/60 £ m. at 10%</th>
<th>Value of Exports 1956/60 £ m. at 20%</th>
<th>Value of Exports 1956/60 £ m. at 30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cocoa</td>
<td>132</td>
<td>30</td>
<td>197</td>
<td>238</td>
<td>47</td>
<td>4 2</td>
<td>3 8</td>
<td>3 3</td>
</tr>
<tr>
<td>Palm Kernels</td>
<td>429</td>
<td>22</td>
<td>440</td>
<td>51</td>
<td>22</td>
<td>2 0</td>
<td>1 8</td>
<td>1 6</td>
</tr>
<tr>
<td>Palm Oil</td>
<td>173</td>
<td>14</td>
<td>210</td>
<td>80</td>
<td>17</td>
<td>1 5</td>
<td>1 3</td>
<td>1 2</td>
</tr>
<tr>
<td>Groundnuts</td>
<td>418</td>
<td>25</td>
<td>390</td>
<td>60</td>
<td>23</td>
<td>2 1</td>
<td>1 9</td>
<td>1 6</td>
</tr>
<tr>
<td>Groundnut oil</td>
<td>41</td>
<td>4</td>
<td>160</td>
<td>106</td>
<td>17</td>
<td>1 5</td>
<td>1 4</td>
<td>1 2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-</strong></td>
<td><strong>95</strong></td>
<td><strong>-</strong></td>
<td><strong>126</strong></td>
<td><strong>113</strong></td>
<td><strong>102</strong></td>
<td><strong>89</strong></td>
<td></td>
</tr>
</tbody>
</table>

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13. The following are the assumptions made as regards the volumes of exports of the products listed above:

Cocoa: it is assumed that increased peasant production and new production arising from direct government activities will raise the quantity of cocoa available for export in 1968 by about 50 per cent above the average annual quantity for the period 1956-60. The figure obtained on the basis of this assumption, 197,000 tons, could perhaps be conservative since exports in 1961 were, in fact, a record 184,000 tons;

Palm kernels: a significant increase in the quantities of palm kernels available for export is not foreseen. The high yielding varieties of palms now being planted will not materially affect production during the present planning period;

Palm oil: with the improvement in expressing techniques and the growing number of hydraulic hand presses being made available to peasant producers, it is expected that oil yields, of a quality suitable for export, will increase by about 2.5 per cent per annum even if both the number of palm bunches harvested remains static and the quantity of oil consumed locally increases as expected;

Groundnuts and groundnut oil: the Northern Region Development Plan estimates that by 1968 the groundnut crop will have reached 950,000 tons and that of this 400,000 tons will be expressed locally leaving a balance of 550,000 tons. Assuming that local consumption of nuts remains at about its present level of 160,000 tons there should be an exportable surplus of 390,000 tons. Oil extracted from 400,000 tons of groundnuts would, assuming an oil/nut weight ratio of 43 per cent, amount to 172,000 tons. However, it can be expected that of this total about 12,000 tons would be absorbed in Nigeria either in direct consumption or in manufacture. As regards the feasibility of the 1968 target of 950,000 tons of groundnuts, it may be pointed out that the 1962/63 crop reached the record level of over 800,000 tons.

14. It will be noted that the Table assumes that quantities of the products listed will be constant irrespective of the price realized on export. There are three reasons on which this assumption is based. First, in the case of cocoa and palm produce, annual production would tend to be highly inelastic to price changes since, as tree crops, effects of new plantings or failure to replant would only be felt after a number of years. (Most palm fruit is still harvested from wild palms.) Secondly, the Marketing Board System, whereby producers are informed in advance of the prices they will receive irrespective of world market conditions, tends to smooth out variations in producers' incomes and thus their sensitivity to world price changes. Finally, even where Marketing Boards have altered producer prices in accordance with world price trends, the peasant producer has not, hitherto at least, shown any tendency to vary production with prices received. In this latter connexion, it is interesting to note that although producer prices had been reduced for that and the immediately preceding season, the 1962/63 groundnut crop in the Northern Region was a record, probably as a result of improved means of transportation, greater use of subsidized fertilizer and favourable weather.
III. The importance of the major tropical products in the implementation of the Development Plan

15. Even if, with the further diversification of the economy projected in the Development Plan, the relative importance of the major tropical products in Nigeria's economy declines, they will continue to play a vital rôle. The repercussions of lower export earnings of the major tropical products would have its effects on the development of all three Regions as well as on the country as a whole. Of the major tropical products dealt with in this note, cocoa is derived mainly from the Western Region, palm oil from the Eastern Region, groundnuts and groundnut oil from the Northern Region and palm kernels from both Eastern and Western Regions.

16. One of the major effects of a fall in the prices received for exports of the major tropical products would be to render invalid the balance-of-payments assumptions of the Development Plan. The Plan anticipates a balance-of-payments deficit of £480.5 million over the Plan period and that this gap will be financed by foreign loans and aid and private capital inflow (and, if necessary, and to a limited extent, by the running down of Nigeria's present foreign exchange holdings). But if, for instance, prices of the major tropical products were to fall by 10 per cent during the Plan period export earnings projected in the Plan would (assuming these products would on average constitute 50 per cent of Nigeria's export earnings in the Plan period) be about 5 per cent less than anticipated. If it were assumed that average annual export earnings during the six-year period would, without such a fall, be £200 million, then the additional gap would be £10 million a year or £60 million in the Plan period. Nigeria's ability to meet this increased deficit by extra borrowing from abroad would be restricted by both the ability of the economy to absorb this additional capital and the need to restrict loan servicing charges to 10 per cent of export earnings (the Plan anticipates that this percentage would in any event be reached by 1967 on the basis of present projections for foreign borrowing).

17. Apart, moreover, from its balance-of-payments effects, a greater than anticipated fall in the prices of the major tropical products would lead to a diminution of the surpluses of the Marketing Boards available for borrowing by the Federal and Regional Governments for development purposes. (Exports of all the major tropical products are vested in the three Regional Marketing Boards.) Export taxes on these products will continue to be an important source of revenue (11 per cent of total Federal and Regional revenue in 1960 was derived from such export taxes) and a decline in prices would have an adverse effect on Government receipts and thus on their ability to finance development out of budget surpluses. A further effect of a decline in prices of cocoa, groundnuts, groundnut oil and palm produce if followed by lower producer prices, would be a reduction in internal spending power and savings.

IV. Effects of a removal of trade barriers and preferential arrangements

United Kingdom preferences

18. As a member of the Commonwealth, Nigeria benefits from the preferences accorded by the United Kingdom. United Kingdom duties on those items, with which this note is primarily concerned, are cocoa 2s.4d. per cwt. (ad valorem equivalent 1.3 per cent), palm oil, palm kernels and groundnuts 10 per cent and groundnut oil 15 per cent. Commonwealth suppliers enjoy duty-free entry into the United Kingdom market for these products, which are also free from quantitative restrictions from all sources.
19. The table below shows the relative importance of the United Kingdom as an outlet for Nigeria's tropical products. It will be seen that the proportion of Nigeria's exports destined for the United Kingdom declined appreciably between 1958 and 1961 with the decline most marked in the cases of cocoa and groundnuts.

20. The table also reveals that the United Kingdom imports over 95 per cent of her requirements of the five listed products from Commonwealth sources, thus indicating that the preferences do have a trade directional effect. It would not, however, appear that the preferences have resulted in higher prices for Nigerian produce sold to the United Kingdom as compared with other destinations. An analysis of average annual f.o.b. unit values by destination does not reveal any price premia for exports destined to the United Kingdom. It is not possible to calculate what, if any, influence the United Kingdom preferences have on the general level of export prices of the five commodities. It can, however, be expected that any such price influence would be more likely to be manifested in the cases of groundnut oil and palm oil, where the United Kingdom still is the major outlet, than in the cases of cocoa and groundnuts where the United Kingdom share of Nigerian exports is in the neighbourhood of 25 per cent.

<table>
<thead>
<tr>
<th></th>
<th>Total exports '000 tons</th>
<th>Exports to United Kingdom as a percentage of total exports by volume</th>
<th>Percentage of United Kingdom total imports</th>
<th>(a) ex Commonwealth</th>
<th>(b) ex Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cocoa</td>
<td>87.2</td>
<td>183.9</td>
<td>52</td>
<td>27</td>
<td>95</td>
</tr>
<tr>
<td>Palm oil</td>
<td>170.5</td>
<td>164.6</td>
<td>87</td>
<td>78</td>
<td>100</td>
</tr>
<tr>
<td>Palm kernels</td>
<td>441.2</td>
<td>410.6</td>
<td>60</td>
<td>55</td>
<td>100</td>
</tr>
<tr>
<td>Groundnuts</td>
<td>513.2</td>
<td>493.9</td>
<td>36</td>
<td>24</td>
<td>96</td>
</tr>
<tr>
<td>Groundnut oil</td>
<td>39.6</td>
<td>45.2</td>
<td>69</td>
<td>64</td>
<td>100</td>
</tr>
</tbody>
</table>

1These percentages are calculated from Nigerian export statistics. It should, however, be noted that figures contained in W(62)1 would seem to indicate that the proportion of palm oil destined for the United Kingdom is on the high side and that of groundnut oil on the low side. Divergencies between export and import statistics can probably be attributed to trans-shipments from the United Kingdom to continental ports and vice versa.
21. There are a number of duties applied to the exports of Nigeria's major tropical products. The Common External Tariff of the EEC provides for duties on palm oil, groundnut oil and cocoa. The details of these duties are contained in W(62)2. It should, however, be noted that the duty on cocoa may in fact be lower than the 9 per cent envisaged in the Common External Tariff as a result of arrangements worked out between the EEC and the Associated States. At present the member States of the EEC are in the process of aligning their tariffs with the Common External Tariff and duties currently applied by the individual States are listed in W(62)2. The United States' duties on groundnuts and groundnut oil are perhaps the most important of the duties, effecting Nigeria's exports, maintained by other countries.

22. There are a number of other barriers affecting Nigerian exports of major tropical products which are probably of more importance than the duties dealt with in the previous paragraph. France controls imports of groundnuts, palm oil and groundnut oil and it is by means of these controls rather than the preferential duty that the franc zone sources are provided with sheltered access in the French market. Germany, under her marketing law system, controls imports of edible palm oil and Japan has placed groundnuts and groundnut oil under import licensing. Italy levies a processing tax on oilseeds and an equivalent tax on imported vegetable oils. There is also an internal tax of 250 lire per kg. in Italy on cocoa beans. The barriers confronting Nigeria's export trade in tropical products are listed in W(62)2 and discussed in some detail in the secretariat's notes on cocoa (W(63)3) and oils and oilseeds (W(63)4 and 5).

23. The importance of the EEC as an outlet for Nigerian exports of tropical products is shown in the table which appears below. It will be seen in the seventh column that the EEC now takes over half of Nigeria's groundnut exports and over one third of her cocoa and palm kernels. The EEC has, in fact, become more important than the United Kingdom as a market for Nigerian cocoa and groundnuts. The table also shows the portions of the market of the Community held by Associated States and by Nigeria. It can be seen that between 1958 and 1961, before any significant new preference in favour of the Associated States were introduced, the share of these States in imports of the EEC declined or remained static in all cases except groundnut oil. Nigeria, on the other hand, was, during this period able to increase her share of the EEC market for all commodities except groundnut oil.

Table 3

<table>
<thead>
<tr>
<th>Products</th>
<th>Total 000 m.t.</th>
<th>Percentage ex Associated States</th>
<th>Percentage ex Nigeria</th>
<th>Percentage of Nigeria's total exports taken by EEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cocoa</td>
<td>237</td>
<td>345</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Palm oil</td>
<td>250</td>
<td>270</td>
<td>53</td>
<td>44</td>
</tr>
<tr>
<td>Palm kernels</td>
<td>178</td>
<td>173</td>
<td>40</td>
<td>26</td>
</tr>
<tr>
<td>Groundnuts</td>
<td>321</td>
<td>323</td>
<td>60</td>
<td>47</td>
</tr>
<tr>
<td>Groundnut oil</td>
<td>162</td>
<td>137</td>
<td>61</td>
<td>78</td>
</tr>
</tbody>
</table>

1. Derived from 1960 export statistics.
2. Oil equivalents.
It would seem probable at least that Nigeria's relative position in the EEC as an exporter of groundnut oil, palm oil and cocoa would worsen as a result of the progressive alignment of the tariffs of the member States with the Community tariff since this process would create new and/or enlarged preferences for States associated with the Community and, in the case of crude palm oil, which until recently enjoyed duty-free entry into Italy and the Benelux countries, might lead to its substitution by oils expressed from oilseeds imported duty free. Conversely, there can be no doubt that if the duties and non-tariff barriers affecting tropical products presently applied by the member States of the EEC were to be removed, Nigerian exports of such tropical products would benefit as a result of both marginally higher consumption of the products concerned and equality of treatment with the exports of the Associated States. The effects of a removal of existing duties and other barriers by the member States of the EEC are discussed in the secretariat Notes on cocoa (W(63)3) and oils and oilseeds (W(63)4 and 5).

The effects of the removal of barriers and preferential systems on individual products

25. The following would appear to be the position as regards the individual tropical products with which Nigeria is primarily concerned should all barriers to trade in these products and existing preferential arrangements be removed.

(a) Cocoa

26. If, as appears likely, Nigeria does not materially benefit from the small (1.3 per cent) United Kingdom preference, then it would seem probable that Nigeria could only gain from the removal of duties and other barriers affecting trade in cocoa, since any harmful effects of the loss of the United Kingdom preference would be out-weighed by increased consumption in most markets and equal terms of access to the EEC.

(b) Palm oil

27. If, as seems probable, the 10 per cent United Kingdom preference on palm oil is of only marginal importance to Nigeria and if the coming into force of the Common External Tariff diverts imports from non-Associated suppliers and/or encourages the shift in consumption from palm oil to other oils, then it can be concluded that Nigeria would be one of the beneficiaries, at least in the long term, of any simultaneous introduction of duty-free entry in the United Kingdom and the EEC. The replacement of the proposed Common External Tariff by duty-free entry into the EEC would also make it easier for Nigeria to find outlets for refined palm oil should it prove technically and economically feasible to carry out the refining process prior to export. To the extent that duty-free entry in the United Kingdom, the EEC (and other countries) were accompanied by the removal of taxes and other barriers to palm oil, these beneficial effects for Nigeria would be re-inforced.
(c) **Palm kernels**

28. The United Kingdom preference of 10 per cent on palm kernels appears to be of only marginal importance to Nigeria. However, any harmful effects of the introduction of duty-free entry by the United Kingdom would tend to be mitigated if such action were to be accompanied by the removal of existing barriers to imports of palm kernels in other countries.

(d) **Palm kernel oil**

29. Although Nigeria does not at present express oil from palm kernels, palm kernel oil represents a potential export. (It may be noted that the Congo (Leopoldville) is a significant exporter of palm kernel oil). As Nigeria is accorded duty-free entry and a preference of 10 per cent in the United Kingdom market it would not seem that lack of an outlet has hampered the development of a palm kernel oil industry. Although the introduction of duty-free entry and the removal of preferences on tropical oils and oilseeds by the United Kingdom would remove this sheltered outlet for her palm kernel oil were Nigeria to become a producer, this disadvantage would probably be offset if it were to be accompanied by a removal of barriers in other markets.

(e) **Groundnuts**

30. Although the removal of the United Kingdom preference of 10 per cent on groundnuts might have marginal adverse effects on Nigerian export earnings and duty-free entry is in any event envisaged for groundnuts under the Common External Tariff, the removal of the United States' duties and quota on groundnuts, coupled with the removal of barriers in other countries, would be likely to have a beneficial effect for Nigeria more than offsetting any damage resulting from the loss of the United Kingdom preference.

(f) **Groundnut oil**

31. It is quite possible that Nigeria, whose groundnut oil exports are concentrated in the United Kingdom market, would be adversely affected by the loss of the 15 per cent United Kingdom preference. On the other hand, Nigeria could be expected to benefit from the removal of existing barriers in other markets. Nigerian exports would probably derive a net benefit from the introduction of free entry for groundnut oil by the major importing countries. Under conditions of free entry, not only would there appear to be improved prospect for Nigerian exports of crude oil but, should it in future prove feasible to refine oil in Nigeria, exports of such refined oil would not be faced with differential duties that are presently applied by a number of countries and are provided for in the Common External Tariff.
Conclusions

32. Nigeria is in a relatively favourable position as regards the possibilities which exist for the diversification of production. During the currency of the present Plan, diversification will continue with increasing exports of petroleum, rubber and cotton and the development of local manufacturing industry.

33. However, the major tropical products, namely cocoa, palm oil, palm kernels, groundnuts and groundnut oil will continue to play a vital rôle in the Nigerian economy. The export earnings of these products will probably constitute on an average at least 50 per cent of Nigeria's total exports in the Plan period. These earnings will also provide the basis for an important source of government revenue and borrowing and will influence the level of consumer purchasing power and private savings.

34. Any significant fall in the price of tropical products resulting in a marked reduction of export earnings would have deleterious effects on Nigeria's ability to implement her development Plan. Lower export earnings might render impossible the attainment of the Plan's targets and in particular slow down or even halt the process of diversification of the economy.

35. It would appear that the removal of all barriers to trade and preferential arrangements would, on balance, improve the terms of access for Nigeria's exports of tropical products and lead to higher export earnings.