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Expert Group on Trade and Aid Studies

STATEMENT BY THE REPRESENTATIVE OF NIGERIA MADE AT THE MEETING OF THE EXPERT GROUP ON 1 JULY

1. On behalf of the Nigerian delegation, I congratulate most heartily the GATT, the Expert Group and the secretariat for producing the excellent study on the Nigerian Six-Year Development Plan. Members of the Nigerian delegation have really come to this meeting to listen to the views of the expert members of this Group.
2. Nigeria has a vigorous economy undergoing many rapid changes. We, therefore, welcome constructive criticisms and suggestions for containing the problems associated with rapid economic change. I agree it would be most useful to the Group if the Nigerian delegation were to make a few remarks on the Plan Study and the Note subsequently prepared by the secretariat to provide some guidelines for your discussions. We have some slight amendments and a few factual corrections which do not materially affect the main conclusions in the Study. These minor adjustments will be passed on by our experts to the authors of the Study outside this meeting since the time available to us is so short.
3. The Nigerian delegation has no objection in principle to the guidelines highlighted in the Note under the three headings: Investment Programmes and their Financing, Export Production and Export Marketing. We would like to emphasise, however, that the Progress Report 1964 on the National Development Plan mentioned in the Note should be regarded as one of the basic documents for these discussions. The Progress Report outlines the substantive progress made so far in implementing the Plan and any discussions of the possibilities open to Nigeria must be based on full knowledge of the more important recent developments in the Nigerian economy.
4. The second general point I would like to make is that the Expert Group should ensure that when dealing with the problems for which there are specialized agencies, such as the World Bank, the FAO and the UNTAB, we should avoid unnecessary duplication. We consider that a GATT approach to the problems of development planning is most useful but such an approach must be distinct and should not attempt to duplicate the work of other international agencies. The discussions on subjects like capital aid and project evaluation should, therefore, be limited in scope. We would, on the other hand, like to see an extensive analysis of the foreign trade implications of our Development Plan.
5. The GATT Study is quite comprehensive and covers many important aspects of the Nigerian economy, including developments in such sectors as agriculture, mining and mineral resources, industry, and transport. The usefulness of the Study to all

those concerned with economic planning in Nigeria cannot, therefore, be over-emphasised. We are particularly happy that the Study was published at a time when we are beginning to give serious attention to the formulations of the Second National Development Plan. There can be no doubt that the careful analysis and suggestions incorporated in the Study will be extremely useful to us in this important exercise.

6. The first three years of the Plan have seen a lower level of external aid than the Plan assumes and consequently a more rapid utilization of domestic savings and external reserves accumulated in past years. If this trend continues, it is apparent that a shortage of foreign exchange might constitute a very strong bottleneck to the full implementation of the Plan. In the light of these developments the emphasis on Nigerian export commodities given in Part II and Appendix II of the Study is very well placed. A wide range of export commodities have been admirably covered and their trade prospects examined. These include groundnuts, palm produce, cocoa, forest products, rubber, cotton, tin, benniseed, cotton seed, soya beans and hides and skins. The projections and policy recommendations made have been taken note of and will be given due consideration both during the review of the current Plan and, more particularly, during the preparation of the next Plan.

7. On page 6, in paragraph 11, it is stated that the planners' efforts were concentrated on determining the maximum possible levels of public investment and that the estimate of private investment was obtained more or less as a residual from the required minimum total. This is correct. The reason is that reasonably accurate estimates of past trends and future prospects of public investments could be made whereas less information was available on the past and probable future performance of the private sector. Nigeria is developing into a mixed enterprise economy and the level and composition of private investment can only be influenced by indirect measures. It is, however, expected that a closer study of the private sector will be made to provide the background for the next National Development Plan. In this connexion the Federal Office of Statistics have already embarked on a detailed industrial survey. It is also expected that a closer collaboration with the private sector will be made in formulating the next Plan. The necessary machinery is being set up.

8. The call made on page 15, paragraph 32, for a national industrialization plan, setting out the intended industrial structure, has, as a matter of fact, been anticipated by the Nigerian authorities. Preliminary work has already started on this exercise and an Industrial Planning Unit is being set up in the new Ministry of Industries to co-operate with the Economic Planning Unit of the Ministry of Economic Development in

producing a National Industrial Development Programme within the framework of a National Plan. In this field, we shall be relying on technical assistance for the supply of the high-level personnel required in the early years.

9. We have also noted the important point made about pioneer status in the footnote at page 15. We have given considerable thought to the whole question of industrial incentives and their reappraisal is under way with a view to gearing incentives more closely to the expressed priorities in the economy.

10. At page 16 paragraph 36 the apparent conflict between the maximisation of Marketing Board surpluses and the maximisation of total export earnings was brought out. This problem was also mentioned at page 40 of the 1964 Progress Report and consideration will be given to it in determining the future price policies of the respective marketing boards. Consideration need also to be given to the question raised at page 17 paragraph 39 of bringing about greater equality between the tax burdens carried by producers of marketing board products and those involved in other types of economic activity. But the fundamental questions and practical issues involved for the Nigerian authorities are slightly more involved than theoretical considerations alone would allow.

11. While discussing the economic prospects of Nigerian logs it was suggested that a complete inventory of Nigerian forest resources be undertaken and their qualities and possible uses be explored by systematic research. We are aware of similar efforts in other countries. Consideration will be given to including this in the series of research schemes which will form the basis of planning in Nigeria. Some localized work is already being organized in this field.

12. It is stated at page 4 paragraph 9 of the Study, that -

"the Plan is set up essentially in terms of annual growth rates to be attained by the main categories of gross national expenditure. It contains very few references to absolute magnitudes or structural relationships".

This is not absolutely accurate. The Prospects for the Nigerian Economy, which is the technical appendix to the Plan, contains a summary of the economic framework on which the Plan is based. Here the absolute magnitudes of the various components of Gross Domestic Expenditure have been specified to facilitate the application of consistency tests. We do appreciate, however, that this important pamphlet was not incorporated in the Plan document itself.

13. Reference was made at page 4 paragraph 6 to the inconsistent industrial ambitions of the regions. It was also suggested that political pressure for regional rivalry has increased since the Plan was launched. Care should be taken not to overplay this factor. There is some merit and efficiency in the ensuing competition. We should add, however, that Nigeria is aware of the

waste of resources which could result from unnecessary duplication of industrial plants. Efforts are therefore being made through the machinery of the National Economic Council and its Joint Planning Committee of Experts to effect greater regional integration and reduce consequential misallocation of resources. It must not be forgotten that besides iron and steel complexes and similar basic industries, Nigeria has large enough markets to accommodate more than two plants in very many areas of industrial activity. It is only in the production of cement and a few other lines that we have enough installed or planned capacity to meet the substantial part of our requirements.

14. It was stated at page 13 paragraph 27 of the Study that the discrepancy between aid commitments and aid releases meant that project preparation was the main bottleneck in external financing. We are aware of this limitation but it is no longer a serious problem in many sectors of the economy, notably telecommunications, electricity, and, to a lesser extent, transportation, social overheads, and general administration. In these areas we have either developed enough projects for this Plan period, or we know how to set about preparing such projects with or without technical assistance. It must be admitted, however, that in industry and agriculture, there are many projects still to be developed, written up and evaluated for domestic and external financing purposes. Efforts are being made to deal with this problem by various training programmes, the use of technical assistance personnel and the setting up of appropriate sectoral planning machineries.

15. It is important to point out that the revised National Accounts estimates for the period 1958/59 to 1962/63 have been published by the Federal Office of Statistics. These estimates are reproduced at page 2 of the Progress Report. They have also been published in the current issue of the Annual Abstract of Statistics. Since they were not available to the GATT group when they visited Nigeria some changes need to be made in the figures published in the GATT Study. At page 41 paragraph 6 of the Study for instance, the contribution of agriculture to the gross domestic product was put at between 55 and 60%. The national accounts estimates show that the proportion decreased from 68.9% in 1958/1959 to 64.7% in 1962/63. It is expected that the decline will continue in the future since the non-agricultural sectors have shown a much more rapid rate of growth than the agricultural sector. The relevant section of the GATT Study should be amended accordingly.

16. Table II on page 60 (a) of the GATT Study gives the sectoral breakdown of the Gross domestic product of Nigeria, at both current and constant (1957) prices. This table should now be replaced with the revised national account figures referred to above. The revised capital formation figures furthermore show that between 1960/61 and 1961/62 the gross fixed investment increased from £127 million to £140million, that is a growth rate of over 10% whereas

the gross domestic product grew by only 3.3% during the same period. It would not, therefore, be strictly correct, as stated at page 59, paragraph 44 of the GATT Study, that "Since 1959 total gross fixed investment has been growing less rapidly than the gross domestic product." It is true, however, that over the period 1959/60 to 1962/63 gross fixed investment grew at a lower rate than the gross domestic product.

17. On page 47, paragraph 25, manufacturing and transport were specified as the leading sectors in the economy. To these two, electricity and mining should be added. The generation of electricity increased by over 18% in 1962/63, and 1963/64 recorded another increase of 18%. The contribution of mining (including oil exploration) to the gross domestic product increased by over 100% between 1958/59 and 1962/63. In 1962/63 alone there was an absolute increase from £13.8 million to £18.2 million, a growth rate of over 30%. Figures for the manufacturing sector mentioned in the Study will also need some modification. The revised figures are £52.9 million in 1960 and £57.4 million in 1962.

18. It is not our intention to go into all the details of this comprehensive Study in this brief introduction. Our aim here is to indicate, in a general way, our attitude to some of the issues raised. The suggested amendments are by way of illustration, particularly where the figures presented might be relevant to your discussions.

19. If I may return to the guidelines in the Note for your discussions, I think I have already covered some of the main points listed therein. This statement will not be complete without further reference to the related questions of foreign aid, external reserves and the future development prospects facing the Nigerian economy. The conclusion, in paragraph 9, at the foot of page 4 of the Note, seems to be a little more pessimistic than, if not incompatible with, the basic attitude in the GATT Study as a whole. It appears to me to be an overstatement to conclude that "..... the delay in releasing foreign aid to Nigeria has placed the whole Plan in jeopardy. Since it is often politically impossible to postpone investment projects already announced, or initiated, the Government, short of investment finance, was forced to turn to its Central Bank. The domestic price level has risen in consequence of that borrowing, and the rise contributed to the widening of the trade deficit in 1964. It is now to be feared that a continued loss of exchange reserves might affect the confidence of foreign private investors and so have cumulative effects throughout the economy".

The number of exaggerations in the paragraph I have quoted may be due to the fact that, in assessing the prospects, particularly the export potentials and the future balance of payments, of Nigeria, the Study did not take into account the anticipated developments in the petroleum industry. This is one of the more serious omissions in the study. One cannot fully assess the future of the Nigerian economy without reference to the oil industry. We do not expect to become another Kuwait overnight. There is no doubt, however, that developments in the oil industry will materially affect the external payments of the Nigerian economy after 1968. The reference to foreign private investment drying up and thereby creating a vicious circle is, therefore, slightly misleading and, in any case, ignores the immense investment opportunities in Nigeria, particularly in the basic industries associated with petroleum development such as fertilizers, petro-chemicals and so forth.

20. I have deliberately refrained from discussing export production, marketing and other trade problems which we have really come here to learn from the accumulated knowledge of GATT, which should use its influence and power to make positive contributions for the benefit of Nigeria and other developing countries.

21. I wish, once again, to say that the GATT Study is very well written and covers a large number of issues of vital importance to the continued development of Nigeria. I hope that your discussions would be as fruitful. I believe we will all benefit from the exchange of views and experience which will flow from your discussions.