

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

Expert Group on Trade and Aid Studies

## AGENDA FOR THE SECOND MEETING OF THE GROUP OF EXPERTS ON TRADE AND AID STUDIES: NIGERIA

### 1. Foreign aid in general

The note COM.TD/G/W/4 prepared for the first meeting of the Group analyzed the consequences of unexpected shortfalls in foreign aid for economic stability in the receiving country. The dilemma in which the Nigerian Plan Administration has found itself in consequence of an insufficient flow of capital from abroad has not yet been satisfactorily resolved. The question is undoubtedly important and its solution will have an immediate bearing on the development of exports from Nigeria. Since the first meeting revealed some differences of opinion within the Group as to whether it was an appropriate forum for the discussions of problems of this kind, it must be left to the delegations to decide whether they want to pursue this issue any further. It would be in any case pertinent and useful, however, if the Nigerian expert could inform the Group about the progress made thus far in overcoming the obstacles to the flow of foreign aid.

On two important, if general, points the first meeting of the Group has reached an agreement, however. It was agreed that for Nigeria trade was not an alternative, in the strict sense, to aid and that substantial capital assistance from abroad will be necessary for the fulfilment of Nigeria's investment plan even in the case that current exports exceed their planned target. It was also agreed that, although Nigeria's export prospects are on the whole favourable, foreign aid directed specifically to the export sector will be needed if the existing potentialities are to be realized. The second round of discussions should draw some practical conclusions from these two general points of agreement.

### 2. The wood-processing industries in Nigeria

In terms of employment, wood-processing is the largest manufacturing industry of Nigeria, and it is the seventh largest export industry (counting logs, sawn-wood, and plywood). Increased emphasis of development policies on this industry is advisable for two reasons: (a) external market for timber and timber products shows a very favourable long-term trend and it would be in this commodity group

where the desired conversion from raw to processed exports could be achieved most easily and most profitably; (b) since also the domestic demand for wood products is growing rapidly, and the raw material reserves presently under exploitation are approaching the point of sharply diminishing returns, increased policy attention is urgently needed to safeguard the export availabilities in the long run. The recently released FAO report on Agricultural Development in Nigeria, 1964-1980 confirms the conclusions of the GATT study that the latter end can only be achieved by increasing the ranges of timber species and sizes acceptable for both domestic and export markets, and by eliminating the most prevalent wasteful practices in logging and sawmilling. The FAO report also emphasizes that efforts to increase the proportion and degree of processing for export should be carefully planned on the marketing side.

The tendency for timber exports from the less-developed countries to be effected in increasingly processed forms is unmistakable and has been generated by the continuous readaptation of the timber-using industries in the importing countries. Obviously, a policy for a more efficient export-orientated exploitation of the national timber resources of Nigeria must take into account the plans, probable developments and future needs of these industries abroad. The discussion in the Expert Group could facilitate the development of a realistic policy for the development of a Nigerian timber industry based on effective utilization of opportunities for international specialization.

It would be most useful if the experts from the main importing countries could acquaint the Group with the views of their wood-processing industries regarding increased co-operation and division of labour between themselves and the corresponding industries of Africa in general and Nigeria in particular. What specific forms of such co-operation would seem to be the most fruitful and desirable from the viewpoint of the importing countries? What are the most important considerations governing the decisions of wood-processing firms in the industrialized countries to invest in similar undertakings in Africa?

Such a discussion should also help the Group to see what economic and technical assistance would be needed to develop the export potential of this industry in Nigeria and, if so, what specific forms such assistance could take. Three areas in which foreign assistance might be needed are suggested for consideration:

(a) Technical assistance by experts from European or American wood-processing industries to determine the qualities and possible uses of the yet unmarketed species of Nigerian hardwoods.

(b) Technical assistance directed at the education of local designers and artists. In the industrial production of furniture and other household objects in Nigeria, though the quality of production as such is good, the design is likely to be the major obstacle to successful marketing abroad. The crafts production faces similar problems which deserve all the more attention for having

more than purely economic implications. It has been the experience of many countries, not only in Africa, that whenever a volume marketing of handicrafts and folk-art objects has been organized by individual private entrepreneurs, the aesthetic quality of the products deteriorated drastically within a very short time. Nigeria is about to establish a Craft Emporium which would provide a commercial outlet for all the individual carvers and other folk artists and market their work abroad. Without a purposeful policy concerned with quality, there is a real danger that the Emporium might find itself marketing mass produced goods without any intrinsic value. There is thus a need for both scholarships on which young Nigerian artists and craftsmen could study abroad and for craft and design schools to be established inside Nigeria where artists and ethnographers would co-operate with local craftsmen and apprentices. This need applies not only to wood carving but also to textiles, potteries and other activities.

(c) There is, finally, a need to organize business contacts between Nigerian and European wood-processing firms. The GATT Development Plan Study of Nigeria has elaborated the view that the most rapid increase of production and exports of this industry could be attained on the basis of inter-firm agreements, according to which the Nigerian firms would supply semi-manufactures to the European firms which would finish and market them. It seems that such contacts and agreements could best be effected by organizing business missions through which the wood-processing industries in Nigeria and abroad would get acquainted with each other's needs and potentialities.

### 3. The oleaginous products

Being a large exporter of two different types of vegetable oleaginous matter, Nigeria has to follow carefully the long-term trends manifested by these two markets. It would thus be of considerable interest to the Nigerian delegation to hear the views of individual experts concerning the future prospects of groundnut and palm product imports in their national markets. The experts should take into consideration the existing consumption trends and to assess the likelihood of a change in tariffs and other measures, such as mixing regulations, taxes on the production of margarine etc., which in most European countries favour (a) animal fats against vegetable oils in general and (b) domestically produced vegetable oleaginous matter against imports. Such a review would facilitate the correct investment decisions and the planning of export marketing by the Nigerian authorities.

The Development Plan Study has ascertained a great potential for the expansion of production and exports of Nigerian palm and palm kernel oil. Nigerian export availabilities of palm oil and palm kernels have been declining in recent years which, together with the disturbance of supply from other areas, has caused the export prices to remain remarkably firm during the whole past decade. An analysis of market trends undertaken by the FAO concludes that this firmness is very likely to be maintained in the foreseeable future. The FAO report, again

concurring with the findings of the GATT study, states in this context: "In view of the large domestic requirements, the limit for exports of palm oil from Nigeria appears likely to be set, for a period of twelve years at least, by production rather than the absorption capacity of the export market".<sup>1</sup>

To satisfy the rapidly growing domestic demand and to exploit the export opportunities estimated by the FAO at 350,000 tons in 1980, Nigeria would have to increase its production of palm oil from the present level of about 500,000 tons to 850,000 tons in the next fifteen years. The FAO considers the implementation of a planting programme of this size to be beyond the administrative and financial resources of the country.

There are, again, at least three types of possible action in the field of foreign assistance which the Group might wish to consider and eventually to recommend:

- (a) Technical assistance to the efforts of the regional ministries of agriculture to develop simple and cheap mechanical equipment for the processing, thus far very laborious, of palm produce.
- (b) Assistance to the farm settlement schemes in the palm-growing areas. In its first meeting, the Expert Group has shown a vivid interest in all possible schemes in which foreign aid could be used to integrate agricultural development with small-scale industries and craft activities. Medium-sized estates established with foreign capital and technical aid and equipped with modern pressing facilities, eventually to be turned over to co-operatives organized from their personnel, would seem to be an ideal opportunity for the promotion of integrated rural development.
- (c) In many areas, Nigeria would welcome the establishment of private commercial estates, provided that they would export their produce through the regional marketing boards. This form of marketing control has thus far been strongly resented by private investors. It might be useful however, to publicize through the Expert Group the exact conditions of establishment and marketing control applying to foreign-owned estates. Since the marketing board's prices are geared to the production costs of peasant farms, they should be attractive to larger-scale producers.
- (d) In view of the fact that Nigeria plans to increase its processing capacity for groundnut oil and to concentrate on the processing of palm kernel oil for the first time, it would be appropriate for the Expert Group to discuss, in this context, the export marketing problems likely to be encountered in Nigeria's increasing exports of groundnut oil and palm kernel oil. The development of Nigeria's vegetable oil processing facilities might also suggest a rôle for foreign technical and financial assistance in this field.

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<sup>1</sup>Agricultural development in Nigeria, 1964-1980, B, page 291.

#### 4. Import substitution and rural industries

The Expert Group has requested the secretariat to provide a more detailed breakdown of Nigeria's import statistics on the basis of which a better assessment might be made of the scope for various types of import-replacing production. The statistics are appended to this report but it would be very useful to have, in addition, a reasoned opinion on this issue of the Nigerian planners themselves. An evaluation of specific opportunities in this respect, going into some technical detail and including rough forecasts of the growth of internal demand, would be welcomed.

The experts have agreed that correct anticipation of domestic demand, and timely establishment of production "replacing potential imports", are among the most important conditions of stable growth. In this context, it was agreed to pursue further an inquiry into the possibilities of establishing - perhaps with foreign technical and capital aid - vegetable and fruit farming units, units of dairy and small animal production, and fishing units, all integrated with processing facilities, to be eventually transformed into co-operatives. These units would mainly supply the growing demand of the cities but they could also export, certainly to the neighbouring African countries. Additional types of small-scale manufacturing production could be gradually integrated into such communities, supplying mainly those consumer goods which the community itself would demand, and which otherwise would have to be imported.

An outline of the plans and activities of the Nigerian Government in the field of integrated rural development, and of the main problems encountered in the effort regionally and locally to integrate agricultural with industrial activities, would enable the Expert Group to recommend specific forms of assistance to overcome the existing difficulties. It would be appreciated if the Nigerian planning authorities could supply such a statement to the secretariat in time to be distributed to the experts before they meet in Geneva.

#### 5. Technical assistance to export organizations and marketing

The issues proposed for discussion under the heading are of general importance as the lack of specifically marketing experience constitutes probably the most important single obstacle to the export efforts of all less-developed countries.

In Nigeria, policy activities with direct bearing on the national export performance are at present divided among three different ministries. The Ministry of Commerce and Industry has a department concerned with export trade in general, trade with the Republic of Cameroon, promotion of Nigeria's secondary exports, and relations with the Nigerian Produce Marketing Board Company Limited; the Ministry of Foreign Affairs and Commonwealth Relations includes among its activities the

training of Nigerians for overseas representation, external information and publicity, and the collection and collation of political and economic information about other countries; finally, the Ministry of Finance, which includes the Board of Customs and Excise, is responsible, inter alia, for exchange control, external borrowing and financial aid, and with the formulation of Federal applications for external technical assistance. Except for the Nigerian Produce Marketing Board Company Limited, which holds an exclusive licence covering the sale of all export produce controlled by the regional marketing boards, there are no parastatal organizations in Nigeria concerned solely with export sales.

The Nigerian Government is aware of the need to formulate a general export strategy and to integrate the planning of exports with general economic planning. The choice of the appropriate institutional framework is obviously a difficult one, and here the discussion of the Expert Group might contribute a fruitful exchange of experience. Several countries represented in the Expert Group have launched national export councils through which the representatives of policy-making institutions maintain contact with the export producers and export traders. It would be of interest to the Nigerian experts to discuss the experience made with such bodies elsewhere.

Even more important is the promotion of business links between Nigeria and foreign firms for export purposes. The provision of training fellowships and personnel exchanges would enable a growing number of Nigerians to acquire as quickly as possible the needed experience and personal contacts in the specialized export marketing fields.

Finally, even if these two needs are satisfied through public initiative, there remains a number of specialized activities and services required in an industrial export economy which usually can be provided only on a commercial basis. The experts could give some consideration to the kinds of initiative needed for the establishment of specialized firms which would, inter alia, provide foreign market research on a continuous basis; organize export departments for individual industrial firms, or joint export-sales units for groups of smaller firms, and train their employees; act as a broker in securing export contracts; choose, organize and supervise distributors in export markets for the products of Nigerian firms, etc.

## 6. Cocoa and cocoa products

There is one specific trade problem to which the experts might also wish to address themselves. The collapse of the cocoa price earlier this year has moved the Nigerian Government to decide to establish facilities for the production of cocoa powder, cocoa butter, chocolate and chocolate drinks, despite the fact that previous feasibility studies have indicated that such an enterprise would not be profitable for Nigeria by the usual commercial standards. According to the Nigerian

authorities these feasibility studies, undertaken by foreign industrial consulting firms, have been exclusively concerned with the private profitability of the proposed enterprise and have overlooked an important social benefit of local processing in Nigeria, namely, the fact that it would tend to support the export price of cocoa by withholding additional supplies from the world market. In this context the Nigerian authorities have stressed the need for a revision of the tariff structure for cocoa products in the industrialized countries on the ground that this would reduce the price discrepancy between raw and processed cocoa and thus stimulate consumption; it would also increase the returns on investments in cocoa processing made by the cocoa producing countries. In view of the fact that the negotiations of an international cocoa agreement do not appear very promising at this moment, we should try to use to the full extent the means available to us to bring about some improvement of the situation of the cocoa producers. A multilateral reduction of tariffs on cocoa products would be a significant step in this direction.

PRICE INDEX OF SELECTED OILS AND OILSEEDS  
(Average 1954-56 = 100)

	<u>Soya</u>	<u>Groundnuts</u>	<u>Groundnut Oil</u>	<u>Copra</u>	<u>Palm Oil</u>	<u>Palm Kernel</u>
1954	106	103	108	106	85	101
1955	99	96	84	96	101	98
1956	95	101	108	96	114	101
1957	83	79	105	93	113	97
1958	80	85	81	110	102	107
1959	80	95	87	136	106	134
1960	93	92	95	109	100	172
1961	87	82	96	89	102	94
1962	92	81	80	89	94	94
1963	95	86	78	100	97	106
1964	96	89	92	105	104	104
Jan.-July 65	106	98	96	129	120 <sup>1</sup>	...
July 65	104	94	87	120	131 <sup>2</sup>	...

<sup>1</sup> January-June

<sup>2</sup> June

Specifications:

Soya: - UK - American No.2, yellow, 3 per cent, bulk, nearest forward shipment, c.i.f.

Groundnuts - European ports (UK) - Nigerian, shelled, n.f. shipment, c.i.f.

Groundnut Oil - European ports (UK) - Nigerian bulk, 3-5 per cent n.f. shipment, c.i.f.

Copra - European ports - Philippine, bulk, n.f. shipment, c.i.f.

Palm Oil - European port (UK) - Nigerian 5 per cent bulk, n.f. shipment, c.i.f.

Palm Kernels - European ports (UK) - Nigerian, n.f. shipment, c.i.f.

Source: FAO Bulletin of Agricultural Economics and Statistics.



Imports of Nigeria

('000 £)

	<u>1958</u>	<u>1963</u>
Live animals, meat and meat preparations	561	421
Dairy products and eggs	1,079	2,668
Fish and fish preparations (of which stock fish)	7,480 (6,841)	7,251 (6,433)
Cereals and cereal preparations (unmilled wheat)	2,984 ( - )	5,074 (3,437)
(wheat flour)	(2,117)	( 133)
Fruit and vegetables	1,033	1,639
Sugar, sugar preparations, honey	3,745	3,734
Coffee, tea, cocoa, spices	415	495
Feeding stuff for animals	14	66
Miscellaneous food preparations	254	554
<u>Food and live animals</u>	<u>18,165</u>	<u>21,982</u>
Beverages (of which beer)	3,980 (3,319)	1,458 ( 896)
Tobacco and tobacco manufactures	1,630	1,453
<u>Beverages and tobaccos</u>	<u>5,610</u>	<u>2,911</u>
Hides, skins, furskins, oilseeds, crude rubber, wood, lumber, cork, pulp and waste paper	12	201
Textile fibres (not manufactured)	52	60
Crude fertilizers and crude minerals (of which salt)	1,930 (1,797)	2,785 (2,277)
Metal ores, metal scrap, crude animal and vegetable materials	19	64
<u>Crude materials (except fuels)</u>	<u>2,013</u>	<u>3,110</u>
Coal, coke and briquettes	22	33
Motor spirit	4,023	5,272
Lamp oil and white spirit	1,186	2,649
Distillate fuels	1,861	4,384
Residual fuel oils	299	741
Lubricating oils and greases	1,094	1,606
Jelly, asphalt, resin, etc.	411	708
Gas	29	125
<u>Mineral fuels, lubricants, etc.</u>	<u>8,943</u>	<u>15,518</u>

	1958	( '000 £ )	1963
<u>Animal and vegetable oils and fats</u>	<u>66</u>		<u>87</u>
Chemical element and compounds	626		1,133
Mineral tar and crude chemicals from coal, petrol, gas	29		38
Dyeing, tanning and colouring material	1,471		2,110
Medicinal and pharmaceutical products	3,134		5,081
Essential oils, perfume materials, toilet, etc., preparations	1,279		1,761
Fertilizers, manufactured	538		337
Explosives	352		532
Plastic materials	66		656
Insecticides, fungicides, disinfectants	526		1,562
Other chemical products	272		1,248
<u>Chemicals</u>	<u>8,293</u>		<u>14,458</u>
Leather, leather manufactures, etc.	67		169
Rubber manufactures	2,946		3,623
Wood and cork manufactures	449		596
Paper, paperboard, manufactures	2,081		5,287
Textile yarn and thread	1,190		2,245
Cotton fabrics, woven	16,413		21,441
Silk, woollen, linen, jute fabrics, woven	727		1,570
Synthetic and artificial fabrics, woven	10,848		2,839
Knitted fabrics	284		538
Other fabrics, woven	60		60
Tulle, lace, ribbons, etc.	127		193
Special textile fabrics (felts, coated textiles, corduroys, etc.)	756		1,383
Made-up articles of textile materials (of which jute bags and sacks)	3,901 (2,040)		3,983 (2,318)
Floor covering, tapestries	359		465
Lime, cement, clay mat, mineral manufactures (of which cement)	5,149 (4,101)		3,549 (1,985)
Glassware, pottery, pearls and precious stones	1,030		2,246
Pig-iron, ingots, bars, rods, angles, plates, sheets, hoop and strip	4,718		6,149
Rails, wire, tubes, pipes, castings and forgings	4,168		4,915
Non-ferrous metals	815		1,973
Metal-finished structural parts and structures	1,294		1,352
Metal containers	1,062		951
Wire products	501		881
Nails, screws, pins, etc.	631		658

('000 £)

	<u>1958</u>	<u>1963</u>
Tools	845	1,028
Cutlery	338	454
Household equipment	3,342	2,940
Locksmith wares	548	762
Other metal manufactures	1,037	1,920
<u>Manufactured goods</u>	<u>65,686</u>	<u>74,170</u>
(of which textiles products)	(34,306)	(34,252)
(of which iron and steel)	(8,886)	(11,064)
(of which manufactures of metal)	(9,598)	(10,946)
Power generating machines, other than electric	1,773	1,851
Agricultural machinery and implements	960	1,341
Office machines	519	591
Metal-working machinery	328	968
Machines for industries and domestic appliances, non-electric	8,516	16,164
Electric power machinery	824	2,110
Equipment for distributing electricity	1,118	1,259
Telecommunications apparatus	1,674	1,984
Domestic electric equipment	394	1,124
Other electric machinery	1,945	3,382
Railway vehicles	4,689	663
Passenger motorcars	4,445	6,269
Buses and trucks	3,065	3,772
Bodies and chassis	5,362	4,018
Motorcycles, etc.	308	729
Bicycles, etc.	2,287	1,974
Aircraft	251	1,290
Ships and boats	1,374	1,095
<u>Machinery and transport equipment</u>	<u>39,812</u>	<u>50,584</u>
(of which machinery, non-electric)	(12,096)	(20,915)
(of which electrical machinery)	(5,935)	(9,859)
(of which transport equipment)	(21,781)	(19,810)
Sanitary, plumbing, etc. fixtures	913	1,237
Furniture	1,076	902
Travel goods, handbags, etc.	558	610
Clothing	3,781	5,560
Footwear	2,714	2,696
Scientific, medical, optical, measuring and control apparatus	823	1,387

	('000 £)	
	<u>1958</u>	<u>1963</u>
Photographic and cinematographic supplies, films, apparatus	328	777
Watches and clocks	252	425
Musical instruments, sound records and reproduction, etc.	426	314
Printed matter	1,102	2,399
Articles of artificial plastic materials	-	657
Toys, games, sports goods (excluding arms)	349	477
Arms and ammunition (military or non-)	93	289
Office and stationery supplies	416	705
Works of art, collectors' pieces, jewellery	259	308
Candles, matches, etc.	424	471
Umbrellas, buttons, articles of basketware, brooms, brushes, etc.	217	670
Other manufactured articles	1,383	1,675
<u>Miscellaneous manufactured articles</u>	<u>15,114</u>	<u>21,559</u>
Other commodities	452	827
Parcels	2,120	2,351
<u>Various transactions</u>	<u>2,572</u>	<u>3,178</u>
<u>TOTAL:</u>	<u>166,274</u>	<u>207,477</u>