

# GENERAL AGREEMENT ON

RESTRICTED

BOP/282

6 September 1988

# TARIFFS AND TRADE

Limited Distribution

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Committee on Balance-of-Payments Restrictions

Original: English

## 1988 CONSULTATION WITH NIGERIA UNDER ARTICLE XVIII:12(b)

### Statement by Nigeria under Simplified Procedures for Consultations<sup>1</sup>

Since its 1986 consultation with the Committee, Nigeria has vigorously continued with the implementation of policy measures aimed at influencing its balance-of-payments position towards a more favourable external sector performance of the economy. Complementary to that is the policy of economic expansion and diversification geared primarily at raising the living standards of its people, and redressing the inherent internal structural problems of the economy. Similarly, the government has adopted a number of measures in relaxing or otherwise modifying import restrictions as and when appropriate.

The following fiscal policy measures were applied in 1987:

- (a) Import duties were reduced to a range of 5 to 45 per cent. The items included vehicle tyres, corrugated sheets, commercial vehicles and buses, CKD components and newsprint.
- (b) The items prohibited from importation include baby feeding bottles, fatty acids, acid oils for refining, fatty alcohols, and animal or vegetable oils and fats wholly or partly hydro-generated or solidified.
- (c) Unprocessed or unsawn timber except gmalina were added on the export prohibition list.
- (d) The advance payment of import duty was reduced from 100 per cent to 25 per cent. The balance of 75 per cent was to be paid when the goods arrive in the country.
- (e) The duty drawback suspension scheme was approved to further encourage manufacturing for the export market. Under the scheme,

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<sup>1</sup>BISD 20S/47

exporters/producers can import raw materials and intermediate products for use in the manufacture of export products free of import duty and other direct taxes and charges.

#### Foreign Exchange and Balance-of-Payments Measures

(a) The basic travel allowance of US\$500 maximum per annum per person of the age of 16 years and above was retained.

(b) Corporate bodies were required to maintain, repair and service their ships, aircrafts, etc. from the proceeds of exports or retained earnings of such bodies in line with existing guidelines. All export proceeds of such corporate bodies should be reflected in their audited accounts.

(c) Personal home remittances for expatriates were increased from 50 per cent to 75 per cent of the net salary remittable through the SFEM.

(d) The regulation on purchase of foreign exchange for invisible trade transactions such as technical service, management fees and royalties was retained subject to the approval of the Federal Ministry of Finance based on the present rate.

(e) Remittances of a maximum of 20 per cent of consultancy fees was limited to high technology projects for which indigenous expertise was not available.

(f) Services in the form of design, installation and commissioning are treated as part of importation expenses through "Form A". No direct remittance would be allowed. The pre-shipment inspection procedure for imports was retained.

#### External debt

As a result of the various rescheduling arrangements with Nigeria's external creditors, the government was able to achieve the target for debt service ratio which was to remain below 30 per cent. Debt service payment stood at N3,590.6 million.

The existing policy not to enter into new loan agreement was maintained for 1987. However, exemptions would be granted where it was found to be absolutely necessary. State Governments' external borrowing was limited to maximum of N200 million outstanding per state in any one year.

#### Developments in 1988

(a) In 1988, the tariff structure was harmonized especially for spare parts and CKD components for the same category of vehicles. Duties

for buses and transport vehicles were fixed at 5 per cent. Duties on completely built-up vehicles have also been simplified and harmonized. Moreover, duties on cars which ranged from 30 per cent for cars below 1500 cc to 200 per cent for those above 200 cc, now range between 35 to 100 per cent.

(b) In order to guarantee the survival of local industries and remove the disadvantage imposed by excise duty on locally produced goods, government decided that all imported commodities which have local substitutes will attract landing charges equivalent to the excise duty on such local substitutes.

(c) Cases of "dumping" were established in respect of certain commodities whose landing costs are lower than their prices at the countries of export. To prevent the re-occurrence of this incident, appropriate dumping margins have been applied to protect local industries involved. These relate to corrugated iron/steel roofing sheets, tomato paste and purée, aluminium coils, and batteries especially R.20 types.

#### External Debt and the Exchange System

(a) External debt outstanding rose from \$18.4 billion in 1986 to \$24.5 billion in 1987. The size and trend continued to be of serious concern to government. The rise in indebtedness was due largely to the capitalization of interest payment due to the London and the Paris Clubs of creditors.

(b) The restrictions on further borrowing imposed in 1986 are maintained.

(c) A debt conversion scheme to reduce our external debt stock, but at the same time promote domestic investments, output and employment is to be implemented during the year.

(d) The Foreign Exchange Market (FEM) operations continued with the merger of the SFEM and the first-tier rates of exchange in June 1987. The regular supply of funds at the FEM continued to be supplemented by autonomous funds of the authorized dealers. In the first four months of 1988 autonomous receipts amounted to \$428.0 million.

In 1988, however, public sector demands (other than those for debt service) for foreign exchange were shifted to the authorized dealers. Until now, the Central Bank of Nigeria (CBN) was providing the foreign exchange for this sector. The development resulted in higher exchange rate per dollar in the autonomous market than in FEM.

Thus far, I have attempted to provide you with the overall economic climate in Nigeria as it affects our balance-of-payments situation. This statement which forms the basic documentation for the consultation is to be

read in conjunction with the Secretariat background paper (BOP/W/118) as well as other relevant documents that would assist in grasping our situation easily.

It is equally clear from the foregoing that our debt situation has not improved since the last consultation. In the circumstance, therefore, we cannot but continue with the growth-oriented measures already in place which as before, will of course, be applied with sufficient flexibility. It is equally our intention to progressively relax the measures as conditions giving rise to them improve, leading them only to the extent that the conditions in question still justify their application.