

GENERAL AGREEMENT ON

TARIFFS AND TRADE

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TRADE POLICY REVIEW MECHANISM
NIGERIA
MINUTES OF MEETING

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I. INTRODUCTORY REMARKS BY THE CHAIRMAN OF THE COUNCIL

1. The Chairman introduced the review of Nigeria's trade policies and practices, pursuant to the CONTRACTING PARTIES' Decision of 12 April 1989 (L/6490). He noted that Nigeria was the first sub-Saharan African country to come forward for trade policy review in GATT. He welcomed Nigeria's openness to holding a debate on its trade policies as a clear sign of its readiness to be transparent and further evidence of its active participation in GATT. He said that the discussion would be based on the report by the Government of Nigeria contained in document C/RM/G/15, and the report by the Secretariat contained in documents C/RM/S/15A and C/RM/S/15B.

2. The Chairman noted that the report by the Government of Nigeria followed the Outline Format for Country Reports agreed by the Council in July 1989 (L/6552). In line with the Decision establishing the Trade Policy Review Mechanism, the Secretariat had sought clarification from Nigeria on its trade policies and practices, as far as the factual information contained in the six factual chapters of its report was concerned.

3. The procedures for the meeting were set out in document C/RM/8. To structure the debate, the Chairman suggested the following two main themes:

- (1) General objectives in relation to trade policies; questions relating to Nigeria's policy approach toward unilateral, bilateral and multilateral trade liberalization under the Structural Adjustment Programme and the Uruguay Round;
- (2) Use of major trade policy instruments such as import prohibitions, high tariffs and foreign exchange allocation; how these instruments are used to achieve specific sectoral trade objectives, including self-sufficiency goals in agriculture, and the promotion of selected industries.

4. The Chairman noted that Australia and Canada had given advance notice in writing of points they wished to raise at the meeting. The delegation of Nigeria circulated to the members of the Council copies of Nigeria's responses to these points, which are contained in the Annexes to these minutes.

5. He invited the representative of Nigeria to make his introductory remarks, to be followed by the two discussants, Ambassador Morland and Mr. Kaczurba.

II. INTRODUCTORY REMARKS BY THE REPRESENTATIVE OF NIGERIA

6. On the occasion of the Trade Policy Review of Nigeria, I bring to the Council, through you, Mr. Chairman, the good wishes of the President and Commander-in-Chief of the Armed Forces in Nigeria and the entire people of Nigeria. It is a pleasant coincidence that this review is taking place today, 1 October 1991, which is also the thirty-first Independence Anniversary of Nigeria. Thirty-one years in the life of a nation is very short but for us in Nigeria, those years have witnessed tremendous challenges and opportunities for nation-building. It has also provided us with the opportunity for the promotion of free trade and multilateral economic relations within the West African sub-region, and the African continent in particular, where Nigeria has been playing an active rôle. Indeed, Nigeria has participated in no small measure to the ideals of multilateral organizations of which GATT is of special concern to us.

7. The past three decades have been a period of overall development within the country during which the economy has undergone tremendous changes. As indicated in our Report, the economy of Nigeria in the 1960s depended mainly on agriculture which provided employment, food, raw materials and source of foreign exchange earnings for the country. However, since the early 1970s the economy of Nigeria has increasingly depended on petroleum which has provided resources for the economic development as well as for its diversification. It is, however, no secret that following the volatile nature of the oil market and the enormous decrease in foreign exchange earnings from the petroleum sector since the 1980s, the Nigerian economy has suffered a number of reverses which have not only affected our foreign trade but also, our domestic economy. This has led to the adoption of a number of policies and programmes now commonly referred to as Structural Adjustment Programme (SAP). Among the varied objectives of SAP is the removal of distortions and impediments that pervaded our products and trading systems. In addition, it is aimed at promoting an open and liberal trading system as well as diversification of the economy with a view to promoting domestic investment as well as attracting foreign investment from our trading partners. In this connection, Mr. Chairman, I wish to assure your good self and this august body that Nigeria is determined to pursue open market policies and programmes which will fully integrate Nigeria into the world economy.

8. Nigeria's commitment to the principle of multilateralism informed our decision to join the GATT in 1960. Ever since, we have sustained our participation in GATT activities and have followed with keen interest, past and on-going developments within it. I wish to recall that Nigeria participated in the Tokyo Round negotiations, but our inability to accede to most of the Codes that emerged from the Round was not in any way related to a disbelief on the virtues of free trade and the principles of free

market economy. I therefore wish to assure your good self and the Council that Nigeria is in the process of initiating consultations with the GATT Secretariat with a view to acceding to other Tokyo Round Codes. However, the Council is invited to note that since the beginning of our Structural Adjustment Programme, our trade policy measures and practices have proved to be in furtherance of GATT's objectives as contained in the existing GATT Codes.

9. We note the views of the GATT Secretariat on our recourse to Article XVIII:B of the GATT with regard to measures taken for balance-of-payments purposes due to fluctuations in the international oil market. In this connection, I wish to assure the Council that we are aware of the concerns of our trading partners with regard to some of the trade and economic measures we adopted in our attempt to eliminate the distortions in our economy. These measures have proved to be necessary for dealing with the current situation and it is not the intention of the Nigerian Government to retain them on an indefinite basis. In this regard, let me stress that a cardinal principle of our Structural Adjustment Programme is the diversification of the economy and less dependence on one commodity. In order to achieve this objective, we embarked on a massive export promotion drive, and liberalized our trade and foreign exchange regulations in line with GATT's principles.

10. We believe that the Uruguay Round offers a good and enduring opportunity to Nigeria. A successful completion of the negotiation will also act as a catalyst to our restructuring efforts. The Council may wish to note that in order to demonstrate our belief in the principle of balance-of-rights and obligations, Nigeria made offers in all the market access negotiating groups. In this regard, we undertook to reduce tariffs on a number of tropical products, agricultural products and some industrial goods. We also eliminated a number of non-tariff measures thereby ensuring predictability in our trade régime. However, we attach great importance to the portion of the Punta del Este Declaration which re-emphasized that developing countries are not expected to make contributions which are inconsistent with their level of development. With this point in mind, it is our hope that our trading partners would demonstrate more willingness to open up their markets for our exports.

11. While thanking the Secretariat for its well-prepared report, I should not fail to highlight a number of inaccuracies and misunderstanding of our position. The minor tariff modification referred to by the Secretariat have been dictated by the peculiar circumstances of our economy. The modifications that are made in any of our policies and programmes have been arrived at after due consultations with relevant bodies and organizations in order to ensure harmonious formulation and implementation of policies and programmes.

12. Finally, in the process of our trade policy review, we expect that the Council would take due note and cognizance of the trade and economic liberalization measures we have put in place. We have also demonstrated our interest in a successful outcome of the Uruguay Round negotiations. We therefore wish, Mr. Chairman and the Council, to note that Nigeria abides by the principles of the GATT and would continue to respect and advance its objectives. In this regard, the Government of Nigeria is committed to effectively playing its part.

13. In conclusion, I wish to take this opportunity to renew, once again, Nigeria's commitment to GATT which holds a lot of promise for the promotion of integrated and equitable trading relations among contracting parties.

III. GENERAL OBJECTIVES OF TRADE POLICY

(1) Statement by the first discussant

14. It is a particular pleasure to participate in this first TPRM review of a sub-Saharan African country and before turning to the substance of my comments I would like to congratulate the Government of Nigeria and the Secretariat for the comprehensive and thought-provoking reports before us. The opening remarks by the representative of Nigeria set a tone and provided a useful focus for our debate.

15. I would like to begin by highlighting some of the more important features of the Nigerian economy which form the essential background to this review. Above all, there is clearly a high degree of dependence upon petroleum. Paragraph 5 of the Secretariat report notes that crude petroleum accounted for 93 per cent of merchandised exports in 1989 and more than four fifths of Government income last year. These figures and recent economic performance strongly underline the point.

16. In economic policy terms, a number of problems face the Federal Government. These include strong inflationary pressures. But some indicators do offer encouragement. For example, growth is likely to be sustained at around 5 per cent and unemployment has been halved since 1987.

17. Elsewhere, agriculture and services are also significant contributors to GDP accounting for nearly three quarters of the total between them. The manufacturing sector is one of the largest in Africa, although insignificant in export terms.

18. Nigeria's trade flows indicate that Europe and North America are key markets with the Federal Government a signatory to the Lomé Convention.

19. The broad objectives of Nigeria's trade policy are clearly stated on page 4 of the Government report and it is encouraging to note that a number of important trade liberalization measures have been introduced in recent years. In pursuance of these objectives Nigeria has been an active participant in many areas of the GATT's work. Not least in some of the discussions now covered by the Uruguay Round Negotiating Group on Rules and also in the Working Party on Domestically Prohibited Goods (DPG).

20. Nigeria invoked the GATT balance-of-payments provisions of GATT Article XVIII:B in 1982. At the time, the BOP Committee agreed that the country faced serious balance-of-payments problems and has indeed reviewed and acknowledged the existence of continued difficulties. There is no doubt that the introduction of the 1986 Structural Adjustment Programme was an attempt to address the underlying causes of this problem. But it would

be interesting to hear the Nigerian delegation's view on the short-term prospects for disinvocation of Article XVIII against the background of the current balance-of-payments situation and external debt situation. Members of the Council may also wish to comment on whether existing restrictions could be simplified or streamlined in the interim period.

21. The central plank of Nigeria's economic and trade policy is the Structural Adjustment Programme (SAP), flanked by the official guidelines for industrial and agricultural policies issued in 1987 and 1988 respectively.

22. The objectives of the programme are clearly set out in both the Government and Secretariat reports; but would the representative of Nigeria care to comment on the extent to which these objectives have been achieved five years on, particularly in the context of reducing the dependence on oil revenues and imports and improving resource allocation in the economy. The figures I quoted earlier from the Secretariat report on the proportion of exports and revenues covered by petroleum, suggest that there may be some way to go yet, but the Nigerian authorities may wish to outline the obstacles as they see them - both internal and external - to achieving these goals.

(2) Statement by the second discussant

23. The interesting and informative reports prepared for this review by the Government of Nigeria and the GATT Secretariat as well as the introductory statement made by the distinguished representative of Nigeria, offer an intriguing picture of an economy in search of a rational and effective set of economic and trade policy options. The end result of the efforts to identify and apply such instruments will have important consequences not only for Nigeria but also for its trading partners, both in the African region and elsewhere. Such expectation may appear justified, considering the magnitude of the Nigerian economy and its rather long history of membership in the institutions of the international trading system. The tangible, trade-measured effects of such policy choices, important as they are, are nonetheless only one of the aspects which may be of interest to other GATT contracting parties. The other, at least equally important element, consists in the demonstration effect of the very choice between the two, distinctly different policy scenarios: one relatively closed and inward-looking and the other oriented towards open interaction with the outside world. In other words, the choice is between a misleading sense of short-term, relative security behind a network of trade barriers, and a more risky perhaps, but potentially much more rewarding exposure to competition and consequently to greater efficiency generated through a more open economic and trade régime.

24. The documents submitted for the review clearly suggest that in terms of its present, publicly stated economic philosophy, Nigeria seems determined to follow the course of an open economic strategy. Over the past few years the policy has been oriented towards structural adjustments, based on increased diversification of productive activities and sources of national income.

25. Given the scale and importance of the Structural Adjustment Programme, I would be grateful to the Nigerian representatives for some assessment of the present effects of this strategy in terms of diversification of the economy away from oil and traditional agricultural and primary production.

26. External trade appears to be an essential factor in this process. This seems to be confirmed by statistics on commodity structure of Nigerian imports. Table 6.4 of the national submission indicates that capital goods and raw material inputs accounted for as much as 73 per cent of the total value of imports in 1989.

27. Speaking of trade statistics, may I note in passing that the data for 1989 in Table 6.7 on page 55 of the national submission are quite confusing. The last line shows only a small amount of oil exports and an unexplained dramatic jump in the value of "miscellaneous transactions". Would the Nigerian delegates care to comment on this table?

28. One essential question is that of a general approach to import substitution as opposed to export promotion in the development policies of Nigeria. Is there a clear recognition at the official level that import substitution may distort resource allocation at the expense of consumers and downstream processors? How such recognition is then translated into specific policy actions?

(3) Statements and questions by the members of the Council

29. The representative of Canada said that his country welcomed Nigeria's continuing commitment to the GATT, as exemplified by its participation in this review as well as its active participation in the Uruguay Round of multilateral trade negotiations. While Canada was a significant importer of Nigerian petroleum, it did not as yet figure among the larger sources of Nigerian imports. Canada hoped that this situation would change as the economic reform and adjustment programme being implemented by the Nigerian authorities succeeded in promoting sustained economic growth and the progressive integration of Nigerian into the international trade and payments system.

30. Canada commended the Nigerian authorities on the path of reform they had chosen, particularly their emphasis on consolidating for the longer term the gains of macroeconomic stabilization measures, by proceeding to more far reaching, and more difficult, structural adjustment measures including trade policy reforms. It was with a view to encouraging and improving these structural reforms that Canadian authorities had formulated a number of questions and had expressed some concerns. The principal ones focussed on tariffs, import prohibitions, and the future course of the Structural Adjustment Programme.

31. These various questions and concerns all related to a desire on their part to see Nigeria's trade policies well integrated and consistent with the overall thrust of structural economic policy. The use of import prohibitions and high tariffs and a number of other measures to encourage use of local inputs, served to insulate Nigerian producers from international price signals. The resulting effects on costs and prices rippled through the economy, with negative effects on the competitiveness of all production and especially production for exports. This was surely a key reason why crude petroleum continued to constitute over 90 per cent of Nigerian merchandise exports, despite the large devaluation of the naira, the fall in oil prices in the latter half of the 1980s, and the adoption by the Government of various measures to encourage non-oil exports. In other words, promoting the competitiveness of Nigerian agricultural and industrial exports would be difficult as long as domestic Nigerian markets for these products remained effectively closed to international competition.

32. Accordingly, Canada was of the view that a key feature for future strengthening of Nigeria's Structural Adjustment Programme should be a progressive, staged reduction of these measures so as to gradually expose Nigerian producers to increased competition. This would help to improve resource allocation and efficiency within the Nigerian economy, a key objective of the Structural Adjustment Programme. A clear timetable for reduction would also help boost investor confidence, especially among foreign investors. As efficiency and increased investment worked their way through the economy, a sustained surge in Nigerian non-oil exports was to be expected. Canada would be interested in the comments of the Nigerian delegation on future measures to be taken under the Structural Adjustment Programme, particularly in the area of trade liberalization.

33. The representative of the United States concurred with the central theme of the Secretariat's report. Nigeria had undertaken important reforms in recent years to rationalize and liberalize its trade régime. In particular, the United States welcomed Nigeria's recent efforts to reduce the number of products subject to restrictive imports and export licences,

and was also pleased to note that Nigeria was an active participant in the GATT and the Uruguay Round.

34. However, Nigeria's foreign trade policy structure severely distorted the country's trade and would continue to inhibit economic growth and development until modified. The most significant problems included the continued heavy reliance on quantitative restrictions, particularly in the agricultural sector; excessively high tariff rates in many areas; import bans; and sudden and selective changes in trade regulation.

35. Foreign trade could play a major rôle in the economic development of Nigeria, as in many other nations. However, if this were to happen, Nigeria had to continue to liberalize its trading policies in order to provide the stability and transparency necessary to encourage trade expansion and lower distribution costs.

36. The representative of the European Communities said that Nigeria, being a member of the GATT since 1960, had generally given an impression that it played the game properly and respected GATT rules, while making use of GATT provisions for balance-of-payments difficulties when necessary.

37. Nigeria continued to give its support to multilateralism. The EC welcomed the declaration by Nigeria of its intention to accede gradually to the Tokyo Round Codes, and not to maintain import restrictions eternally. He noted that some tariff rates had been reduced and certain non-tariff measures had been eliminated.

38. However, Nigeria needed to make greater efforts with respect to high tariffs, import prohibitions which were linked to balance-of-payments difficulties, excise duties, tariff bindings and so forth.

39. Between 1987 and 1990, imports of capital goods and raw materials had increased substantially, reflecting Nigeria's intention to diversify its economy. Like some other countries, Nigeria had suffered from exogenous factors. This had been the case with oil, which accounted for about 95 per cent of total merchandise exports of Nigeria.

40. Nigerian exports were, in large part, directed to Europe. The Nigerian Government's view about the single market of the European Communities was stated in its report that, "With the emergence of Europe 1992, there is a potential obstacle not only for oil exports but also other forms of trade from the EC-member countries." However, the establishment of the single market was not intended to make Europe into a fortress, but rather to create an area of increased prosperity. Added growth in the region would benefit all of its trading partners.

41. The representative of the European Communities welcomed Nigeria's efforts to diversify and liberalize its trade, and Nigeria's reliance on the Uruguay Round as the best means of promoting its exports through diversification. The EC hoped that this could be done by the efforts of both Nigerian trading partners and Nigeria itself: concessions on the part of Nigeria's trading partners, and Nigeria's own efforts to reduce tariffs, import prohibitions and so forth. The Communities had confidence in the Nigerian economy, and noted that the Balance-of-Payments Committee had appreciated the recent trend in Nigerian policy.

42. The representative of Japan welcomed Nigeria's valuable contribution to the TPRM by participating actively in the process of this review and by making comprehensive reports on whole areas of its trade policy. The reports were very useful to appreciate what Nigeria's economic and trade system was actually like and how it worked. Japan appreciated Nigeria's rôle in GATT activities such as those concerning preshipment inspection and domestically prohibited goods.

43. Japan thought it basically right for Nigeria to pursue market-oriented reforms, for example, by reducing its dependence on oil revenue, by working on its economic structural adjustment, by reforming its trade and foreign exchange system and by liberalizing its regulations. However, as the report by the Secretariat stated, there still remained a significant amount of necessary reforms, such as regulations which might distort appropriate allocation of resources, measures which might overly protect some domestic industries and frequent changes of tariff rates. The Uruguay Round provided a golden opportunity for Nigeria to take further steps in its reforms.

44. Japan pointed out in this context that Nigeria had only one item bound under GATT. Japan expected Nigeria to bind more items and to liberalize other measures like surcharges. In particular, Japan expected Nigeria to abandon its policy of increasing the local content of its industrial output as soon as possible, because this policy not only distorted trade activities but also prevented foreign companies from investing in Nigeria.

45. Japan was interested to know whether all countertrade activities had been abolished. If some remained, Nigeria should state the reasons, what they were and how the countertrade activities were carried out.

46. Noting that Nigeria was an active member of arrangements such as GSTP and ECOWAS, Japan was interested in knowing the policy priorities of the Nigerian Government regarding regional economic cooperation in the future.

47. The representative of Egypt noted that economic difficulties and high dependence on exports of crude oil had induced the Nigerian Government to make reforms aimed at trade liberalization. In spite of difficulties, the Nigerian Government had launched the Structural Adjustment Programme to diversify and restructure the production base of all sections in order to reduce dependence on oil.

48. Nigeria had also initiated privatization and liberalization of public and sector enterprises, promotion of foreign and domestic investment, and the adoption of appropriate price policies, especially for petroleum. In addition, Nigeria had taken measures to liberalize trade, such as the elimination of import and export licenses, reduction in import prohibitions, removal of price controls, export promotion incentives, and market-oriented changes in the foreign exchange system.

49. The representative of Egypt found some similarities between the problems facing Nigeria and those facing his country. The similarities included high dependence on exports of crude oil, external debt, direction of trade, and efforts for of trade liberalization. Therefore, the report by the Government of Nigeria regarding major objectives of the Structural Adjustment Programme and a package of incentives was useful. He wanted to hear from the Nigerian delegation about their assessment of what had been achieved, as it would be useful for those countries which had the same problems as Nigeria.

50. The representative of Norway, on behalf of the Nordic countries, noted that the economy of Nigeria was heavily dependent on one product, i.e. oil, and was consequently vulnerable to changes in world demand and prices for this particular commodity. Being also an oil-producing country, Norway was familiar with this problem. Another problem seemed to be an increase in public spending, resulting in inflation, lack of competitiveness in traditional export sectors and increased foreign debt.

51. The Nordic countries welcomed the fact that since 1986, the Government of Nigeria had undertaken a series of trade and foreign exchange reforms under the Structural Adjustment Programme (SAP). However, despite an honourable effort to liberalize several trade measures, continuing import prohibitions on several products distorted domestic sectors which needed the prohibited items as raw material. This did not contribute to raising the international competitiveness of these sectors. The high level of dependence on crude petroleum remained.

52. He noted that laws and policies in place were basically compatible with the free market system and the principle of free trade. Those which ran counter to free movement of goods (putting bans, levies or heavy duties

on various commodities) were by and large motivated by Nigeria's status as a developing country, characterized by a series of interrelated problems.

53. He thought it probably correct to say that not all the protective measures undertaken could be defended on the ground of a balance-of-payments deficit, as had been the original reason given in 1982. Nigeria's balance of payments had since been positive for most of the years. However, without the protective measures, the balance-of-payments would most likely have been negative.

54. In the view of the Nordic countries, the major problem with these laws and policies was not their existence as such, but rather difficulties associated with their implementation. Not all protective measures seemed to be justified by the status of Nigeria as a developing country. Some seemed instead to be maintained to increase public revenues. This was particularly the case with freight and port levies, which added some 7 per cent to the cost of importing and exporting. According to shipping agents, the services rendered by the authorities did not justify such levies. Most of them had to make their own private arrangements, which made the actual cost even higher.

55. The representative of Australia commended the delegation of Nigeria for its speedy consideration to the specific questions submitted by Australia in advance of this meeting. Australia welcomed Nigeria's early participation in the Trade Policy Review and its contribution to the multilateral system, particularly through its significant steps in recent years towards integration into the world economy.

56. Since 1986, Nigeria had undertaken a series of reforms to diversify the economic base and encourage export growth, with a view to reducing dependence on petroleum and on imports. Principal measures adopted under the Structural Adjustment Programme (SAP) had included the establishment of a new foreign exchange market; abolition of price controls, commodity marketing boards and the import licensing system; the introduction of a new customs and excise tariff and deregulation in key sectors of the economy. As well as enacting reforms relevant to multilateral trade, Nigeria had played a prominent rôle in the creation of regional economic agreements such as the African Economic Community (AEC), and the Economic Community of West African States (ECOWAS).

57. Nigeria continued to suffer unfavourable terms of trade, declining foreign exchange inflow, and high external debt. In the light of continuing falls in the prices of oil and agricultural products, Australia noted the difficulty for Nigeria in accumulating the huge foreign exchange necessary to service its external debt. Attracting foreign investment had proved difficult and the increasing and variable interest rates faced by

Nigeria had aggravated its debt problems. Facing such difficulties, Nigeria was to be commended for the reforms so far undertaken to liberalize trade, and should be firmly encouraged to continue along the same path.

58. The representative of Switzerland congratulated Nigeria for its liberalization policies regarding trade, foreign exchange, and investment taken since 1986 in the framework of the Structural Adjustment Programme. Switzerland also welcomed the efforts made by Nigeria with respect to elimination of import and export licenses, reduction of import prohibitions, decontrol of prices, promotion of exports and the move to a market-oriented foreign exchange régime. Her country appreciated the steps towards greater opening of the economy and the scope of reforms taken by Nigeria, particularly in view of its economic and social difficulties and its important economic and regional rôle.

59. Switzerland joined other delegations in urging Nigeria not to relax its efforts, to examine possibilities to lower the level of tariffs, which were excessive for some products, and to reduce significantly the number of prohibited imports which, for example, accounted for 20 per cent of industrial products. Her country was also concerned about the fact that the number of restrictions, particularly import prohibitions, had increased since 1989, although the Nigerian financial situation had improved since then.

60. Switzerland hoped that Nigeria would pursue consistent and transparent trade policies. To that end, her delegation suggested that Nigeria increase tariff bindings to ensure greater stability in its tariff régime and eliminate the surcharges in order to ensure predictability. Switzerland encouraged Nigeria to continue taking liberalization measures aimed at reinforcing its economy's external competitiveness. It was expected that these measures would allow Nigeria to diversify the production base and diminish its dependence on the oil sector.

(4) Responses by the representative of Nigeria

61. The Chairman suggested that as written responses had been circulated to all participants at the meeting, it would not be necessary for the Nigerian delegation to repeat them in detail, but could raise those points which it wanted to highlight particularly. Those written responses would constitute a part of the record of this meeting.

62. The representative of Nigeria appreciated the confidence expressed by participants in Nigeria's efforts to liberalize its trade régime despite many difficulties. Although Nigeria introduced some high tariffs and import bans for reasons of self-reliance, they did not necessarily mean that Nigeria was going back to the pre-SAP days when the Nigerian economy

had been virtually closed. In the process of opening up its economy, Nigeria had encountered a number of problems, but these restrictive measures were not necessarily meant to be permanent.

63. Nigeria was aware of the need to comply with the rules of GATT. The debt issue referred to by many participants was a formidable problem for Nigeria, but it made efforts to deal with it effectively within the international system. He stressed that remaining restrictive measures would be eliminated progressively. Nigeria was committed to pursue policies for a free and open market economy, and although it might take time, all restrictive measures would be eventually eliminated in the process leading to such an economy.

IV. USE OF MAJOR TRADE INSTRUMENTS AND SECTORAL ASPECTS OF TRADE POLICY

(1) Statement by the first discussant

64. The current tariff structure of Nigeria was meant to cover 7 years. How would it fit in changes resulting from negotiations on market access in the Uruguay Round?

65. Some 20 per cent of industrial products and nearly one third of agricultural products were covered by import prohibitions. In recent years major changes were made in the scope and coverage of the system, and tariffs on some products were replaced outright import bans. The Council might benefit from a further explanation of the rationale underlying the prohibitions including developmental objectives.

66. Many of the exceptions to normal trade practices stemmed from the concept of "self-reliance". It would be useful if Nigeria could elaborate what it meant by the concept.

67. With respect to import bans, was transparency a problem? Contracting parties might also wish to comment on alternative policies which could serve to reduce the distortions which import bans might bring about.

68. Another key factor in Nigeria's trading environment is the system of foreign exchange allocation, with 80 per cent coming from official sources. The system has been transformed along more market-oriented lines, but are there plans to introduce any further flexibility or other changes in the system outlined in the chart on page 30 of the Secretariat report? Does the Nigerian Government in fact regard foreign exchange allocation as a policy instrument in terms of controlling imports?

69. Turning to other areas, an interesting question might be whether the Government of Nigeria anticipates making any changes in its system of pre-shipment inspection as a result of the ad referendum agreement negotiated in the Uruguay Round? Linked to this, does Nigeria intend to graduate from observer status to full membership of the Customs Valuation Code?

70. A key objective of the Nigerian Government is self-sufficiency in the agriculture sector. Food and livestock production account for two thirds of the population's economic activity. The early to mid-1980s saw a sustained growth in agricultural output, but this has subsequently declined. In 1987, the Government set out a timetable for achieving self-sufficiency (see para. 293 of the Secretariat report). Is the exercise on target? And to what extent is self-sufficiency compatible with the objective of trade liberalization?

71. The agriculture sector is highly protected through a network of trade restrictions and one question could be the extent to which this import substitution policy has caused distortions in the Nigerian economy by raising domestic prices (e.g. maize and wheat)?

72. In the industrial sector, Nigeria's dependency on petroleum is pronounced. However, as a part of the strategy to diversify the industrial base, the Nigerian authorities have been engaging in large scale support programmes for selected industries including steel. It would be interesting to see to what extent other industries, which have not benefited from such support, may have been disadvantaged - particularly those heavily dependent on imported products. Another interesting point is the Government's policy of improving local content. How does this fit in with the objective of improving competitiveness generally and increasing exports of Nigeria's manufactured products?

73. Finally, it might be interesting to have more details of the dispute settlement procedures under the ECOWAS agreement. Nigeria has never had recourse to the GATT dispute settlement mechanism. Could one infer that Nigeria therefore prefers the alternative as a rule?

(2) Statement by the second discussant

74. One should appreciate the fact, that within the framework of its policies of structural adjustment the Nigerian Government has instituted a number of trade liberalization measures such as m.f.n. treatment of all trading partners, elimination of export and import licenses, reduction of the list of prohibited imports, removal of price controls of the introduction of market-oriented changes in the foreign exchange system. Such measures have most certainly contributed to the positive rates of trade expansion over the past few years. Their beneficial impact on domestic economic structures should be assessed in conjunction with such policy initiatives as the abolition of Commodity Marketing Boards for a number of key agricultural products and the progressive privatization and commercialization of major public enterprises. New incentives aimed at encouraging foreign direct investment in the Nigerian economy also fall within this category.

75. These are indeed bold and far-sighted undertakings which will hopefully steer Nigeria towards a faster, self-sustained growth.

76. What our Nigerian friends expect of us, however, are not only words of well-deserved recognition of their efforts but also our comments on possible alternative approaches to specific policy issues.

77. From the reading of the reports one gets the impression of certain inconsistency in trade policies, including some reversals of liberalization measures. The introduction of import prohibitions on certain new products, such as meat, chicken or fish late in 1989 and very substantial increases in tariffs on a number of items during the last two years may be mentioned as examples of such reversals.

78. Table 3.1 on page 13 of the Nigerian national report does not give any indication of the average tariff rates after the year 1984. Will the distinguished Nigerian colleagues comment on the estimate of the simple average tariff rates for this period, as contained in Chart IV.1 on page 43 of the English text of the Secretariat's report? The estimate implies that there was a significant upward movement of such rates to levels which had more than doubled in the decade of the 1980s.

79. Significant progress in exchange-rate policy has already been noted. Nevertheless, the reports for this session indicate that the allocation of foreign exchange by the Central Bank is by far the major source of import financing, with over 80 per cent share of total availability of foreign currencies coming through the official market. I would appreciate some additional comments from Nigeria as to the rôle that this allocation procedure might play as an instrument of controlling the volume and structure of imports.

80. Finally, the Council may wish to encourage Nigeria to consider joining other GATT Codes, in addition to the two of which it is already a member.

81. The industrial development strategy of Nigeria seems to focus on the expansion of primary processing industries based on locally available, significant natural resources. This is where major public investment expenditure and import protection appear to be concentrated. This may imply a certain bias against small-scale manufacturing sector, heavily dependent on imported inputs but essential for a successful implementation of the diversification programme. Moreover, trade protection extended to resource-based domestic industries, with its inevitable tolerance of relatively higher output prices, is likely to increase factor costs for downstream processors of such output in Nigeria, contrary to the objectives of the diversification.

82. Chart V.5 on page 91 of the Secretariat report illustrates that the average capacity utilization rate for all manufacturing sectors barely exceeded 32 per cent in 1989 and that in no single industry had it been higher than 41 per cent. At this juncture, it would be interesting to hear some additional comments from the Nigerian delegates on how this problem is being addressed by the present economic policies of the country and what

importance is attached to increasing such rates before new investment is undertaken. One specific case in point is that of the steel industry where, despite enormously high under-utilization rates of existing capacity, a new and very costly investment programme is underway, all under the cover of relatively high trade protection.

83. The statistical report of the Secretariat, page 37, contains a list of commercial activities reserved for 100 per cent Nigerian ownership. The list is quite exhaustive and may suggest a very restrictive attitude towards direct foreign entry into the local market. This in turn would contradict the stated interest in attracting foreign capital into Nigeria. Here again, additional comments would be helpful.

84. The foregoing comments and questions are not meant to be unduly inquisitive. Their only purpose is to invite this friendly forum to a candid debate on what appears to be a very interesting set of economic policies and programmes, which have high relevance for the development concepts of many members of the GATT. On a more personal note and from the perspective of my own country I would declare a good measure of understanding of many of the dilemmas faced by Nigeria. It is from the same perspective that I state my firm belief that the answer to most of such dilemmas lies in more open and competition-oriented trade policies.

85. Before concluding, may I also say that the results of this review would be less than complete without a candid assessment of what has been and can be done by members of the GATT community, particularly by developed countries, to support and sustain Nigeria's efforts and development objectives through a more forthcoming trade policy towards Nigeria.

(3) Statements and questions by the members of the Council

86. The representative of the United States asked what plans, if any, the Nigerian Government had to improve enforcement of intellectual property rights. She also asked about the objectives of the recently formed African Common Market, and how the Market and other similar regional African organizations were related to the multilateral principles of the GATT, particularly with respect to the m.f.n. principle, and to other programmes such as the GSTP.

87. The representative of the United States noted that up until about the mid-1970's Nigeria had been self-sufficient in food. Subsequently, it had become a large importer of grains, mainly rice and wheat. The switch from local products (mainly maize, corn, millet, cassavas and some locally grown rice) to imported grains had been in part attributable to the "demonstration effect" and had been made possible from the oil wealth. Much of rice imports had come from the United States, a non-subsidizing

producer, at prices that local producers could not match. However, wheat had come mainly from the EC, at subsidized prices. This latter raised the point to what extent the CAP programme or subsidizing producers had contributed to Nigeria's food import-dependence.

88. The representative of Canada welcomed the statement by Nigeria that it was exploring the possibility of acceding to more of the Tokyo Round Codes.

89. He underlined that the concept of "self-reliance" could go a wrong way towards autarchy. In its responses to Canada's written questions, Nigeria stated that action to be taken on tariffs in future would be commensurate with its development needs, including a need to prevent dumping and unfair competition. Nigeria was urged by its trading partners to continue trade liberalization to encourage the development-enhancing and growth-promoting effects of such a policy. Dumping and other unfair competition could be dealt with by instruments other than tariffs.

90. The representative of Canada asked whether any further trade liberalization was envisaged under the SAP. Countries which had been highly successful in implementing structural adjustment, especially in Latin America, had implemented vigorous trade liberalization as an important part of overall structural adjustment efforts. Trade liberalization by Nigeria could be an important step towards strengthening the ECOWAS in a GATT-consistent manner. Canada welcomed that the Nigerian Government's intention to progressively reduce import prohibitions.

91. The representative of Australia noted that as a result of reforms under the Structural Adjustment Programme since 1986, tariffs and import prohibitions were the main instruments of Nigeria's import policy. Simple average tariffs were 40 per cent for agricultural products and 36 per cent for industrial products. However, tariff peaks reached between 100 and 300 per cent for certain products in those sectors which the Government aimed to protect from external competition, such as footwear, motorcycles, perfume and some industrial machinery. There was also a 7 per cent across-the-board import surcharge on top of all tariffs which increased the actual rate of protection. Stockfish was the only bound tariff item. Modifications to import or excise duties could be made at any time by order of the President. She asked how often this process was used by the Nigerian Government?

92. Australia noted that although Nigeria relied mainly on transparent measures, certain factors tended to obscure the way in which policies operated: for example, the incorporation of landing charges into tariff rates and limits to the inflow of foreign exchange by the Central Bank.

93. Since Nigeria depended on oil for over 90 per cent of its export earnings, measures taken to subvent other exports had only a marginal effect on trade. Australia noted, for example, that overall imports had grown at a rate of about 32 per cent between 1987 and 1989. Import prohibitions had been reduced, but they still existed, covering 29 per cent of agricultural items and 20 per cent of all industrial goods. Such prohibitions had existed since 1982 for balance-of-payments reasons, but they tended to raise domestic prices and to disrupt sectors of the economy which used the prohibited items as raw materials.

94. The representative of Australia noted that Nigeria had maintained no tariff quotas, had never taken any safeguard action, and had suspended countertrade in 1986. It did not belong to the Anti-Dumping Code and took anti-dumping action under its Customs Duty Act of 1953, which also allowed countervailing actions. State trading enterprises had been abolished, but "parastatals" or public enterprises, which were playing a principal rôle in developing several sectors of the economy, were encouraged to buy locally produced goods where these were available "at the right quantity and quality".

95. She asked the Nigerian delegation to provide details of how the Tariff Review Board operated, and information on implementation procedures for the proposed Export Processing Zones.

96. The representative of Senegal congratulated the Government of Nigeria for its efforts to reduce heavy dependence on exports of oil, and encouraged Nigeria to pursue its policy to achieve self-sufficiency of food. His delegation noted with satisfaction Nigeria's active participation in the Uruguay Round negotiations as a means to promote international trade liberalization. Benefits would accrue to all participants from improvements in access for exports from developing countries to the markets of developed countries. His delegation also hoped that Nigeria would continue its efforts of trade liberalization through its structural adjustment programmes as well as through the Uruguay Round.

97. The representative of Switzerland sought clarification with respect to Nigeria's economic situation and outlook. In particular, she asked whether current Nigerian economic policies were still based on the price of oil at US\$21 per barrel. She also asked about restrictions on foreign exchange, and whether foreign exchange allocation was used as an instrument of trade policy, for example, to exclude certain products from imports. Noting that Nigerian export promotion programmes had not functioned as expected, she enquired what had been the major impediments to such programmes.

(4) Responses by the representative of Nigeria

98. In reply, the representative of Nigeria said that Nigeria's food self-reliance programmes were not intended to close the door entirely for imports, but rather to encourage increased production of traditional food items which had been neglected for a number of years. It was the intention of the Government to increase the production of these traditional crops in order to feed the vast Nigerian population. With adequate investment, Nigeria would be able to provide at least 50 to 60 per cent of its food requirements. Nigeria needed research and development for the cultivation of appropriate food items. Foreign exchange was a major constraint on imports.

99. Nigeria believed that some of the items under the Government campaign for self-reliance, such as wheat and rice, could be provided substantially within Nigeria with necessary capital investment. It did not mean that Nigeria would forever ban the importation of these products, but for the moment it wished to encourage local production. Traditionally Nigerians had not been major consumers of rice or wheat. The Government was trying to explore all areas to increase cultivation of grains from a long-term perspective.

100. Great strides had been made towards trade liberalization since 1986 under the Structural Adjustment Programme. The economy had been substantially deregulated, and the number of items under import prohibition had been considerably reduced. The process had been gradual, but Nigeria believed that it was taking the right course.

101. The present foreign exchange situation was not what Nigeria would wish. Most of Nigeria's foreign exchange should be sourced from the private sector. Official facilities should complement this. Efforts had been made to involve commercial and merchandise banks as much as possible in the process. The creation of bureaux de change all over the country had been a positive development. Other reforms included removal of restrictions on foreigners for the transfer of their revenues outside Nigeria. A recent decree gave the Central Bank authority to organize the banking and other financial systems.

102. Nigeria planned to begin negotiations soon on possible accession to most of the Tokyo Round Codes.

103. Nigeria did not share the view that the need for infant industries could justify protection for all industries. Nigeria believed that inefficient industries should be allowed to disappear. Protection should be accorded only to those which demonstrated that they had adequate management and resources and could survive competition. Nigeria recognized

that there were a number of areas in which industries needed some protection for a limited period because of their nature of operation and size. However, even these industries should, after some limited period, compete with imported products. The Nigerian motor car industry was such an example, as a lot of efforts had been made to expose the industry to external competition.

104. With respect to preshipment inspections, due to seasonal congestion at the port, a number of importers could not get the services which they had expected from the port authority. Efforts had been made to ensure that port facilities would be extended to cope with demands.

105. Investment laws had been revised three times: in 1972, 1976 and 1986. Now, even in sectors which were reserved for Nigerian ownership, foreign investors who invested 20 million naira in a company would be allowed to participate in the ownership of the company. This provided a good environment for foreign investment.

106. Two-thirds of the Ajaokuta steel complex project had been completed by 1986, and billions of naira had been spent for the project. The complex was expected to provide steel both for the building industry and for manufacturing industries, particularly motor car industries. It would be an economic crime to abandon the project. Moreover, there was a prospect that on completion, the complex would be able to meet domestic needs of steel and also to export to other African nations of the ECOWAS. Nigeria was aware of the fact that the world market could currently supply steel more cheaply than Nigeria, but it should be noted that all the raw materials such as iron ore and coking coal could be obtained in Nigeria. Nigeria also viewed the steel industry as a foundation for future industrial development, particularly the promotion of motor car and other down-stream industries. Many efforts would be made to synchronise the prices of imported items with those of Nigerian steel products, and such plans would be completed by 1992.

107. The African Common Market was aimed at improving inter-African trade through long-term arrangements. It had been initiated only two months previously in Abuja and more preparations would be needed in the future. Consultations would be made with other regional organizations to ensure that the process of preparations could be as smooth as possible.

108. The Tariff Review Board had been set up after the launching of tariff reforms in 1987. These reforms were meant to provide a stable tariff structure for seven years which would bring in confidence of foreign investors and traders. However, during the reform process, many issues were raised by those who would be affected by such reforms, and the tariff reforms were initiated on the understanding that wherever possible

amendment would be made later, rather than delaying the start of the reforms. Therefore, the Government set up the Tariff Review Board to deal with complaints from manufacturers or traders regarding tariff levels.

109. The Board made recommendations to the Cabinet for tariff adjustments. Most of the reviews were made at the time of budget drafting, and the Finance Minister usually indicated where alterations would be made. This process was meant to ensure that the original arrangements for the stable tariff structure would not be unnecessarily affected. Nigeria wanted to build confidence in its tariff structure.

110. A number of sites for export processing zones had been already identified. However, the Government was currently focussing on Calabar port, where there were adequate facilities. Implementation of the project would start at the beginning of the next year.

111. With respect to measures to address anti-dumping and other unfair competition, Nigeria wished to learn if there were any appropriate means other than tariffs.

(5) Other comments

112. The second discussant said that the Nigerian Government was aware of the pitfalls associated with the concept of self-sufficiency. He appreciated the assurances given by the representative of Nigeria to develop its economy along the lines of open, efficiency-oriented strategy.

113. He thought that Nigeria was an interesting case as its lessons might be relevant for other countries. It would be of interest to contracting parties if opportunities were given to look into the process of its development. He said that bold visions should be translated into actions by political decisions, in particular into more liberal trade and foreign exchange régime.

V. CONCLUDING REMARKS BY THE CHAIRMAN

114. The Council has now made its review and collective evaluation of Nigeria's trade policies and practices, and their impact on the functioning of the multilateral trading system. The task was particularly significant because Nigeria was the first Sub-Saharan African country to undertake a Trade Policy Review in GATT. These concluding remarks are, as in all such cases, intended to highlight, on my own responsibility, the salient points emerging from this review. The full details of the discussion, including Nigeria's responses to points raised by participants, will be reflected in the minutes of this meeting.

115. On behalf of the Council, I would like to express my appreciation to the delegation of Nigeria for the detailed written replies which it provided to questions circulated in advance. This was a new and valuable contribution to the TPR process.

116. The Council welcomed and supported Nigeria's moves to deregulate and liberalize its trade and foreign exchange systems under the Structural Adjustment Programme introduced in 1986. These steps were taken against the background of serious economic difficulties affecting Nigeria during the 1980s, largely as a consequence of declining exports of petroleum.

117. Since 1986, tariffs had replaced import licensing as the major policy instrument affecting most merchandise imports. Members welcomed the Nigerian tariff reforms of 1988, which introduced a more stable and predictable tariff structure for the period up to 1994.

118. In the same period, Nigeria had eliminated import and export licensing systems, reduced the number of prohibited imports, removed price controls, abolished commodity marketing boards, privatized some public enterprises and put others on a commercial footing. As a result of these measures, Nigeria now maintained fewer non-tariff measures than before the SAP was launched. Market-oriented changes in the foreign exchange system had also been introduced. The Council welcomed these developments.

119. The Council also appreciated Nigeria's active participation in the Uruguay Round and other areas of the GATT's work, including the formulation of international rules on exports of domestically prohibited goods and other hazardous substances.

120. While welcoming the broad thrust of Nigeria's economic and trade policy reforms, Council members expressed their concerns on a number of areas where, it was felt, further liberalization and closer integration into the multilateral trading system could benefit both Nigeria and the trading system:

- Tariffs remained generally high for both agricultural and industrial products, with peaks reaching 200 to 300 per cent for certain goods. Members sought clarification on Nigeria's plans for future tariff cuts;
- Only one tariff item was bound. Moreover, there had been frequent changes in tariffs in recent years despite the introduction of the long-term tariff reforms in 1988. Members stressed the advantages for traders and investors of a stable and predictable tariff system and encouraged Nigeria to consider binding a higher proportion of tariffs;
- Various import surcharges collected as a 7 per cent across-the-board surcharge made the nominal rate of protection higher than tariff rates suggested. Some of these charges, such as the Port Development surcharge, were in excess of services rendered. The inclusion in tariff rates of landing charges equivalent to excise duties on domestic products made the rate of tariff protection still less transparent and more unstable;
- Import prohibitions were still applied to a significant number of agricultural and industrial products. Nigeria continued to invoke GATT Article XVIII:B for these restrictions. Members urged Nigeria to phase out these measures, which reduced the international competitiveness of protected domestic production and distorted the overall allocation of resources. It was also pointed out that temporary import measures, introduced for balance-of-payments purposes, should not have the effect of protecting domestic industries in the longer run;
- Questions were asked concerning Nigeria's self-reliance programmes in key agricultural sectors. The trade restrictions associated with these programmes were likely to have caused distortions in the Nigerian economy through their effect on domestic prices. One participant asked about the rôle of subsidized foodgrain imports in changing Nigerian consumption patterns;
- Despite considerable under-utilization in existing industrial sectors, such as steel, heavy import protection and costly investment programmes were felt to cause greater distortion both to the industries concerned and to those which had not received such support;

- There were still a number of commercial activities reserved for Nigerian ownership despite the stated objective of the Nigerian Government to attract foreign investment;
- Noting that over 80 per cent of Nigerian foreign exchange was provided by the Central Bank, questions were raised concerning the rôle that the allocation of foreign exchange might play as an instrument for controlling the volume and structure of imports; and
- Recalling that Nigeria was a signatory to the Tokyo Round Agreements on Import Licensing and Bovine Meat, members asked what plans Nigeria had for accession to other Codes.

121. Other specific questions raised related to the rôle of the Tariff Review Board; proposed reforms to Nigeria's Anti-Dumping Act in the light of the GATT Code; Nigeria's adherence to international standards; use of countertrade in Nigeria; the operation and effects of subsidies under the Export Adjustment Scheme; Nigerian legislation concerning foreign investment and competition rules; progress in the establishment of export processing zones; and enforcement of intellectual property laws. Information was also sought on the relationship between the development of an African Common Market, other regional arrangements, and Nigeria's adherence to multilateralism and the m.f.n. principle.

122. In reply to these comments and questions, the representative of Nigeria appreciated the confidence expressed by Council members for Nigeria's efforts to liberalize its trade régime despite great difficulties. The Structural Adjustment Programme was aimed at promoting an open and liberal trading system as well as diversifying the economy. Nigeria was committed to pursue open market policies and programmes which would integrate it fully into the world economy.

123. The number of items under import prohibition had been considerably reduced under the SAP. Nigeria's intention was to continue progressively reducing import prohibitions which were in place for reasons of self-reliance, and eventually to eliminate them.

124. In adopting the Harmonized System, Nigeria had also streamlined and reduced its tariffs. The present structure would remain broadly stable for at least seven years. Nigeria agreed in principle with tariff binding, but such action must be commensurate with the need to protect developing industries and to prevent unfair competition, including dumping. The Tariff Review Board could consider any request for fine-tuning of tariffs.

125. Nigeria's food self-reliance programmes were aimed to encourage increased production of domestic crops, particularly traditional grains, but were not intended to close the door entirely to imports. Nigeria was currently promoting the production of wheat and rice, consumption of which had grown with prosperity. Foreign exchange was a major constraint which had to be overcome.

126. In allocating foreign exchange, priority was given to satisfying external debt obligations and funding the foreign exchange market for imports. However, the Government did not control the volume or structure of imports through foreign exchange allocation. With the introduction of a liberalized foreign exchange system, the Export Adjustment Scheme was no longer operational.

127. Nigeria planned to amend its Anti-Dumping Act, taking into consideration relevant provisions of the GATT Code.

128. Nigeria no longer used countertrade.

129. The Standards Organization of Nigeria adhered to the principles of the ISO, even though Nigeria's membership was currently suspended. Nigeria planned to begin negotiations soon on possible accession to other Tokyo Round Codes.

130. Nigeria was in the process of simplifying the implementation of its intellectual property laws, inter alia, by consolidating the operations of a large number of different responsible agencies.

131. Investment laws had been revised several times since 1972. Now, even in sectors reserved for Nigerian ownership, foreign investors who could invest 20 million naira in a company could take full ownership.

132. The recent signature of an agreement to create an African Common Market was not intended to create a bloc, but to put in place a structure for growth in inter-African trade. Attempts were being made to accelerate the integration of the ECOWAS area.

133. The first phase of Nigeria's major steel project would be completed in 1992. It was hoped to benefit downstream industries and even export to other West African markets. Although production costs would be higher than from other suppliers, the expected national benefits would be important.

134. In conclusion, the Council commended Nigeria for the reforms undertaken in recent years towards deregulation and liberalization of trade. As the largest Sub-Saharan African economy, the lessons of Nigeria's development would be highly relevant for other African

contracting parties. The Council acknowledged that a supportive world trading and financial environment, including a positive outcome to the Uruguay Round would make a significant contribution to the growth and diversification of Nigeria's exports and to the process of reform.

135. The Council emphasized the importance for the Nigerian economy of maintaining steady progress towards liberalization. It stressed the risks and distortions that could arise for the economy as a whole in pursuing strategies of self-sufficiency in individual sectors and the advantages for any contracting party of a liberal, stable and predictable trade system. It encouraged Nigeria to continue its liberalization by lowering tariffs, stabilizing its tariff structure through increased bindings and progressively phasing out remaining import prohibitions and other non-tariff measures.

Annex I

Responses by Nigeria to questions raised by Australia

Question 1

Noting that Nigeria has taken important steps in liberalizing its trade régime and foreign exchange systems in recent years could the delegation expand on its plans for further trade reforms particularly for those sectors that are subject to import prohibitions or very high level of protection?

Answer

1. Trade liberalization measures undertaken by Nigeria have been acknowledged in the GATT Secretariat report, our country's report and even by the Australian delegate. In introducing the Structural Adjustment Programme, one of the most important actions taken, with a view to promoting liberalized trade was the reduction of items under import prohibition from 74 to 16 only. Such measures have no doubt contributed positively to the rate of our trade expansion, Nigeria is still determined to follow this course of open economic strategy.

2. The issue of import prohibition is under constant review by the Nigerian Government and this informed its decision to set up the Tariff Review Board as an independent body whose objective is to review the Government trade policies particularly the level of import duties, and import prohibitions.

3. The import prohibitions and rates under reference were put in place for self-reliance in our economic development and it is hoped that Nigeria would progressively reduce the number of prohibited items and subsequently eliminate them.

Question 2

It has been noted that the policy of the Government in recent times has been to reduce imports and step up all exports especially of non-oil items (C/RM/G/15, p.47). Is this policy based solely on the need to earn foreign exchange to service the nation's national debt?

Answer

1. With respect to the question raised by the representative of Australia, we wish to clarify that the statement referred to (C/RM/G/15, p.47) does not indicate that the Nigerian Government discourages or even attempts to discourage the importation of any imports. The emphasis of

policy is to reduce Nigeria's over-dependence on the imports as well as diversify our economic case by stepping up the exportation of Nigerian products, particularly non-oil exports.

Question 3

Certain export prohibitions are listed at pages 9-10 of C/RM/G/15. What has been the economic effect of these bans on the producers of the listed products? Does the Nigerian Government regard these prohibitions as being part of its longer term trade policy strategy?

Answer

1. As part of the economic self-reliance policy of the Government, the export prohibitions referred to on pages 9-10 of C/RM/G/15 are adopted in order to ensure the availability of food and industrial raw materials for Nigeria. The policy has led to increased production and availability of food and raw materials for industry.

2. The current prohibitions are part of the programmes necessitated by the present down-turn of the Nigerian economy, which we regard as a passing phase, and they should not be seen as part of the trade policy strategy of Nigeria.

Question 4

Pages 19-20 of C/RM/G/15 list some of the laws and regulations governing Nigeria's trade policies. Do any of those laws address competition policy or anti-monopoly measures? What legislative measures exist in Nigeria to prevent firms engaging in collusive or monopolistic practices?

Answer

1. The laws referred to are designed to provide legal framework for the effective operation of trade policy of Nigeria and not specifically addressed to anti-monopoly measures. However, Nigeria is contemplating the enactment of appropriate laws and regulations to prevent firms from engaging in collusive and monopolistic practices.

Question 5

The Export Adjustment Scheme is described as a "supplementary" export subsidy (C/RM/S/15A, p.68). Does this mean the subsidy is only granted if the exporter is already enjoying some other form of export subsidy? How is

the appropriate level of "compensation" regarding "Infrastructural deficiencies" determined?

Answer

1. The Export Adjustment Scheme has been rendered non-operational in view of the liberalized foreign exchange system. Therefore, the question of "supplementary" export subsidies does not arise.

Question 6

Nigeria's President announced that the Anti-dumping Law would be amended to give "clear definitions in line with international usage" (C/RM/S/15A, p.59). Could we have more information on these amendments? Can we assume that Nigeria will be adopting definitions from the GATT Anti-dumping code when it amends anti-dumping laws?

Answer

1. Following the President's announcement, Nigeria is in the process of giving clear definition to Anti-dumping Act.

2. Indeed, this was re-emphasized by the Honourable Minister of Budget and Planning in his Press Briefing on the 1991 Budget when he stated that the Government had decided to amend the 1958 Act taking into account GATT's code of anti-dumping and the mechanism for dealing with subsidized goods. In any case, Nigeria would no doubt adopt a definition consistent with GATT principles.

Question 7

On page 66 of C/RM/S/15A there is a reference to "export-processing zones". What special features and rules govern these zones?

Answer

1. The Export Processing Zones have not become operational and the Government is in the process of finalizing the implementation procedures.

Question 8

To what extent does the Nigerian Standards Council try to adhere to ISO standards when prescribing standard? In ensuring compliance with Government policy on standardization and quality of imported products, to what extent do the Standards Organization of Nigeria and the Nigerian

Government try to promote the principles set out in Article 5 of the Standards Code?

Answer

1. The Standards Organization of Nigeria (SON) in carrying out its functions, ensures that calibration and verification of measures and measuring instruments are carried out in cooperation with corresponding national and international organizations, the ISO inclusive. Even though Nigeria's membership of the ISO is currently suspended, the SON still adheres to the principles of the Organization.

2. Nigeria maintains an Observer status in the GATT Committee on Technical Barriers to Trade (TBT). The general and specific functions of the SON have so far not proved to be at variance with what are contained in Article 5 of the TBT Code. As earlier mentioned by the leader of the Nigerian delegation in his introductory remarks, we intend to initiate discussions with the Secretariat with a view to acceding to some of Tokyo Round Codes, TBT inclusive.

Annex II

Responses by Nigeria to questions raised by Canada

Question I

Tariffs: We note that despite reforms, tariff protection remains high, increases in rates have occurred, and only one tariff has been bound. Would Nigeria elaborate its plan for the tariff structure? Can Nigeria's trade partners look forward to a reduction of the current high rate of duty? Given the advantages of predictability and stability, both for the multilateral systems and for investors, should Nigeria not consider binding a large portion of its tariffs?

Answer

3. As one of the central strategies of the Structural Adjustment Programme, Nigeria adopted the Harmonized System of Tariff Classification (HS) in 1988, thereby streamlining and reducing the level of the tariffs. In consequence, rate of duty which under the previous system averaged 400-500 per cent became averages of 40-45 per cent under the HS. In order to ensure stability and predictability of the rates, the present structure is to remain for at least seven years. We will like to underline the fact that the structure is not as static as it may appear to be (to outsiders) because unlike in the past, Nigeria now has a Tariff Review Board which is charged with the duty of considering representations from interested parties and making recommendations to the government for any necessary review.

4. While agreeing with the principle of tariff binding, Nigeria, as a developing country will have to ensure that whatever action it takes along this line in future would be commensurate with its developmental needs, including the necessity to give a measure of protection to our young industries, prevent dumping and unfair competition.

Question 2

Structural Adjustment Programme: What are Nigeria's plans for further measures, particularly with respect to tariffs and non-tariff measures? How strong is private sector support for the programme, especially those aspects relating to the external sector?

Answer

1. All the policy measures envisaged in the Nigerian Structural Adjustment Programme (SAP) have been initiated and are being implemented faithfully. From time to time, relevant steps are taken to either

consolidate the gains of the Programme or to minimize its painful impacts on the most vulnerable sector of the population. We are also taking steps to remove new distortions as soon as they arise or are identified.

2. Today in Nigeria, there is very close cooperation between the public and private sectors. The latter's support for the Structural Adjustment Programme has been both strong and encouraging. Many of the measures undertaken during the reform have considerably increased the private sector's access to foreign exchange thus sustaining their commitment to the success of the Programme. For instance, the fact that exporters can now keep the whole foreign exchange proceeds of their exports, very much facilitates the processing of future export and import orders. Starting from 1987, private sector inputs into the country's annual budgets have been considerable. At the beginning of the 4th quarter of every year, the Organized Private Sector (comprising the Nigerian Manufacturers' Association, the national Association of Chambers of Commerce, Industry, Mines and Agriculture, and the Nigerian Employers' Consultative Association). send to the Government a well-thought out package of suggestions and proposals for consideration and inclusions in the following year's budget. Some of these proposals, after due consideration by the government have been adopted and implemented as part of the process of fine-tuning the Structural Adjustment Programme.

3. The private sector is now very much represented on some of the agencies set up by the government in the implementation of the SAP. For example, both the Manufacturers Association of Nigeria and the Chambers of Commerce are represented on the Tariff Review Board and its Technical Committee. Perhaps the greatest motivating factor for private sector support for the Programme is the emphasis in the new industrial policy that henceforth the private sector would now gradually take over the leading role in the country's industrial development. Besides, the Government has opened up hitherto restricted areas in manufacture to the private sector, e.g. the petroleum sector. Several incentives including financial facilities introduced in the last few years to promote export of locally produced goods, have all contributed towards ensuring private sector support for the programme.

Question 3

Import Prohibitions: Are there plans to reduce the number of prohibited items? Does a timetable for eventual elimination of the prohibitions exist? What are the factors weighing against such liberalization?

Answer

1. The issue of prohibited items is under constant review by the Government and it is hoped that the prohibitions would eventually be eliminated. We, however, wish to refer to the opening remarks by the leader of the Nigerian delegation, where he reiterated that Nigeria attaches great importance to the portion of the Punta del Este Declaration which re-emphasized that developing countries are not expected to make contributions, inconsistent with their level of development, financial and trade needs. The prohibitions were necessitated in the first place by Nigeria's need for self-reliance in her economic development. We wish to assure the Council that Nigeria would progressively reduce the number of prohibited items.

Question 4

GATT Codes: The Codes on public procurement, technical barriers to trade and anti-dumping practices promote the key principles of transparency and predictability in the multilateral trading system. Is Nigeria prepared to make a commitment to signing these codes? Please elaborate on the process whereby contractors must register with the Federal Works Registration Board. Is membership in the Standards Organization of Nigeria open to non-nationals?

Answer

1. We are aware that Nigeria is yet to accede to a number of GATT Codes among which are those indicated in question 4 by the Council member from Canada. In this connection, we wish to refer to the opening remarks by the leader of the Nigerian delegation that Nigeria is in the process of initiating consultations with the GATT Secretariat on the Tokyo Round codes including those under reference. It is clear that Nigeria will take appropriate measures regarding the signing of the Codes after due consultations.

2. The registration of contractors with the Federal Works Registration Board is a routine administrative matter to up-date the list of contractors that execute projects and does not in any way discriminate against either Nigerians or foreign contractors. Indeed, the registration affords appropriate classification of contractors to various categories based on their capability to execute projects.

3. The Standards Organization of Nigeria (SON) is the statutory body responsible for standardization and quality control in the nation's economy. In this connection, it will prepare standards for products and processes, ensure compliance with Government Policy on standardization and

quality of products both locally manufactured and imported, undertake investigations as necessary into the quality of products in Nigeria and establish a quality assurance system including certification of factories, products and laboratories, maintain references 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.

Question 5

How does the Central Bank of Nigeria prioritize the allocation of foreign exchange between external debt-service, authorized dealers and importers? Is Nigeria considering changes to the highly regulated, onerous system facing importers who wish to purchase foreign currency?

Answer

1. External debt service and the funding of the foreign exchange market (FEM) are items of the greatest priority in Nigeria's annual foreign exchange budget. The latter indicates the volume of foreign exchange the government intends to provide for imports, through the authorized dealers (banks) by the Central Bank. In the annual budget the priority accorded to these expenditure heads cannot be over-emphasized because of the obligatory nature of debt repayment to creditors and the sheer necessity of financing imports for national economic development. For example, in the 1991 budget, the government sets aside the sums of US\$2,972 million and US\$5,449 million for debt service payment and for general import of goods and services, respectively.

2. From the foregoing, it will be realized that authorized dealers participate at the bidding session on behalf of their customers (importers) only and not on their own account. It is generally acknowledged that Nigeria's current foreign exchange system is a liberalized one. The GATT Secretariat report even confirms this by indicating that Nigerian foreign exchange system has undergone fundamental change from a Government-fixed exchange rate system to a more market-oriented exchange rate system since 1986. It is, therefore, clear that the system Nigeria now operates should not be described as highly regulated nor an onerous system facing importers who wish to purchase foreign currency.

3. The fact now is that importers are free to purchase foreign currency not only from their banks, who purchase from the official funds provided by the Central Bank of Nigeria, but also from privately sourced funds including non-oil export proceeds, either directly from the exporters and other earners of foreign exchange or indirectly from banks or bureaux de change who buy from exporters.

Question 6

ECOWAS: Could Nigeria comment on the potential evolution of this organization in the next decade? Is this evolution likely to affect Nigeria's preferential access to the EC under the Lomé Convention?

Answer

1. Nigeria is one of the founding fathers of the Economic Community of West African States (ECOWAS). In line with world-wide developments of regional integration and cooperation, Nigeria envisages that ECOWAS would become a virile economic union within the next decade or thereabouts. Nigeria's present and ongoing government policies and programmes emphasize the nation's commitment to continue to support and promote the realization of the objectives of ECOWAS.

2. With regard to Nigeria preferential access to European Communities (EC) under the Lomé Convention, it has to be emphasized that Nigeria and other members of ECOWAS have the same access to EC as they are all members of ACP/EEC covered by the Lomé Convention.