SUMMARY

1. Nigeria is the 26th largest economy in the world, and the biggest in Africa where it is the leading oil exporter, with the largest natural gas reserves. As a result of its 2014 rebasing exercise, Nigeria's GDP almost doubled from US$270 billion in 2013 to US$510 billion in 2014, and its economy has become more services driven (about 61% of GDP in 2016). This GDP increase by about 90% resulted from, *inter alia*, re-estimation of the contributions of certain sectors of the economy such as telecommunications, entertainment, and retail, which were previously not captured or underreported; the informal sector was re-estimated to account for about 44% of GDP.

2. Nigeria's economy recorded strong growth of about 7% per year in the decade leading up to 2015, thanks to high world prices of oil and natural gas. However, the sharp decline in oil prices since the third quarter of 2014 has posed major challenges to the economy, which significantly slowed down to 2.7% in 2015 and further went into recession in 2016 with a growth rate of -1.5%. Exports declined by 45%, led by a sharp fall in revenue from oil from 23.4% of GDP in 2011 to 3.7% in 2015. Low export receipts (mainly from oil) subsequently induced lower domestic demand that has impacted the non-oil sector. Weaknesses in the business environment (e.g. unreliable and expensive electricity supply, and governance issues, including in the oil sector) have also played their part.

3. The economic recession and the subsequent devaluation/depreciation of the Nigerian naira (pegged to the US dollar until June 2016) somehow contained imports dominated by manufactured products. In June 2015, restrictions were introduced on access to foreign exchange from the Central Bank of Nigeria (CBN) for 41 categories of imports (ranging from rice, soap, and private jets to personal travel for education and healthcare), with a view to containing outflows of international reserves and "resuscitating" domestic industries. The current account shifted from a surplus of US$10.8 billion in 2011 to a deficit of US$15.4 billion in 2015, and international reserves significantly dropped from a peak of US$43.8 billion in 2013 to US$28.3 billion in 2015.

4. Overall, the economic crisis and the various measures taken to address it have more significantly reduced exports than imports, and the importance of trade for Nigeria has decreased, with a trade (in goods and services) to GDP ratio of 21.1% in 2015, down from 52.8% in 2011. The United States has been replaced by the European Union (EU) as the largest market for Nigeria's exports, while the EU remains the primary source of its imports. Nigeria is a net importer of services.

5. Despite its current modest contribution to GDP (10% in 2015), oil still accounts for about 90% of export earnings and 70% of government revenue. Therefore, in line with its Vision 20:2020 and its Economic Recovery and Growth Plan (ERGP) 2017-2020 aiming to make the country one of the top 20 leading global economies by 2020, Nigeria identified four priority sectors for its economic diversification efforts: agriculture, solid mineral mining, construction materials, and manufacturing.

6. Nigeria intends to diversify its economy away from oil by building a competitive manufacturing sector, which should facilitate integration into global value chains (GVCs) and boost productivity; as well as a strong services sector to be supported by an enabling environment for private-sector-led growth, industrial competitiveness and sustainable development. The recent merging of trade, industry and investment under the ambit of the Federal Ministry of Industry, Trade and Investment (FMITI) reflects Nigeria's intention to effectively coordinate between these three key areas to improve its trading and investment environment.

7. Domestic inflation has generally been above the 9% annual target set by the CBN, with a peak of 15.7% in 2016. It has been fuelled by devaluation/depreciation of the naira accumulatively by about 100%. However, due to generally lower inflation in partner countries, this weakening of the naira has resulted in an appreciation of its real effective exchange rate (REER) by 25%. The Government's recent expansionary fiscal policy is likely to lead to further appreciation of the REER and to further jeopardize the competitiveness of Nigeria's goods and services. This may lead to pressure for more protection and increase the instability of the trade regime.

8. Nigeria's trade-related legislation has remained largely unchanged with many outdated laws still in place. Several bills, including on competition, the metallurgical industry, postal services, and transport (eight bills), are awaiting approval by the National Assembly. New mining legislation was enacted in 2011 and new petroleum legislation is under consideration.

9. Nigeria's investment regime is largely liberal, with 100% foreign ownership allowed in all but the petroleum sector where investment is limited to joint-ventures or production-sharing agreements and a minimum share of 55% must be owned by the Government. It is compulsory for foreign investors to be locally incorporated as limited-liability companies. As part of the Government's efforts to improve Nigeria's competitiveness, the registration fee for setting up a company was reduced from ₦50,000 to ₦15,000 in 2013.

10. Nigeria is an original Member of the WTO and actively participates in the activities of the organization. However, despite its efforts to ensure compliance with its WTO obligations, Nigeria still lags behind with some 20 notifications. Nigeria is also a founding member of the Economic Community of West African States (ECOWAS) and is fully engaged in negotiations to establish a continental free trade area (CFTA) under the African Union by 2017. Negotiations between the EU and the West African States on an Economic Partnership Agreement (EPA) were concluded on 30 June 2014; Nigeria has not yet signed this agreement. Under the African Growth and Opportunity Act (AGOA), Nigeria benefits from preferential access for its petroleum to the US market.

11. As a member of ECOWAS, Nigeria has applied the five-band (zero, 5%, 10%, 20%, and 35%) Common External Tariff (CET) since April 2015, albeit with a certain flexibility. In 2017, Nigeria's average applied MFN tariff rate is 12.7%, up from 11.9% in 2011. Its final bound tariff rates average 117.3% and the tariff binding coverage remains low at 19.2% of total lines. Low binding coverage and high average bound rates leave ample margins for tariff changes, thus rendering the tariff regime less predictable.

12. Under ECOWAS, Nigeria also applies the Import Adjustment Tax (IAT) available to member States that consider flexible application of the CET (higher or lower protection of selected products) to be necessary during the five year transition period; and a 0.5% community fee. The IAT applied by Nigeria ranges from 5-60%, with the highest rate charged on cereals (60%). A Supplementary Protection Tax is also available under ECOWAS as a safeguard measure; Nigeria has not used it. Moreover, a myriad of additional taxes and levies are unilaterally collected by Nigeria on imports and exports.

13. Nigeria grants customs duty concessions to imports of, *inter alia*, agricultural inputs such as fertilizer, seeds and machinery to improve agricultural productivity. Duty-free imports of plants and machinery for the mining sector are allowed. All goods imported into export processing zones are also exempt from customs duties and other taxes. The companies income tax (CIT) holiday is the primary tax incentive accorded to investors, notably to companies with "pioneer status". Nigeria maintains some industrial policies to promote local raw materials utilization, and local value added/manufacturing. Measures in this regard include CIT holidays, and preferences for bidders with "Nigerian content", mainly in the oil and gas sector. However, Nigeria notified to the WTO in 1996 that it did not have local content laws or regulations.

14. In addition to the 41 categories of imports for which access to foreign exchange from CBN is banned, Nigeria also maintains import prohibitions and restrictions on various grounds, including protection of domestic industries. In fact, Nigeria has two lists of import prohibitions; moreover, it also prohibits imports of specified goods (rice since 2013 and vehicles since 2016) through land borders in order to combat smuggling.

15. All standards in Nigeria are mandatory, and are, therefore, technical regulations. A total of 222 new standards were developed during the review period. Goods subject to technical regulations require certification. Nigeria maintains two certification programmes: the Standards Organization of Nigeria Conformity Assessment Programme (SONCAP) for imported goods, and the Mandatory Conformity Assessment Programme (MANCAP) for domestically produced goods. SONCAP certification is required for each container and each product; consequently the cost of certification increases with the number of containers or products.

16. Nigeria's regime on sanitary and phytosanitary (SPS) measures has remained largely unchanged. Imported food, drugs, cosmetics, medical devices, packaged water, detergents and chemicals must be registered with the National Agency for Food and Drug Administration and Control (NAFDAC). Each registration is specific to the individual product and the individual operator. Importation of animals and animal products is subject to controls through an import permit system. Imports of meat (including beef, pork, mutton, and frozen chicken) remain prohibited.

17. Nigeria has progressed in implementing its privatization programme. Most of its state-owned power generation companies were privatized in November 2013, but power transmission remains under state monopoly. Nigerian Telecommunications Plc and its subsidiary, Nigerian Mobile Telecommunication Limited, were privatized in April 2015. Nigeria still has no legislation on competition. It has terminated price controls/regulations on most products except for, *inter alia*, petroleum products, electricity, and postal and compulsory insurance services. The legal and institutional framework for government procurement has remained largely unchanged.

18. The Nigerian Customs Service (NCS) undertook several reforms in 2013 with a view to expediting the release and clearance of goods. These include: establishing a pre-arrival clearance system called Pre-Arrival Assessment Report (PAAR); setting up a trade hub/portal for traders to access information; and terminating the pre-shipment inspection system which resulted in NCS being responsible for conducting scanning and risk management services in lieu of private operators. However, the PSI charge, i.e. the Comprehensive Import Supervision Scheme (CISS) fee of 1% on the f.o.b. value of imports, continues to be levied. In 2011, NCS also set up a pseudo authorized economic operator (AEO) programme called Fast Track. Plans were announced to reduce the number of government agencies at Nigerian ports from 14 to 7 with a view to facilitating goods clearance. Nigeria ratified the WTO Trade Facilitation Agreement on 20 January 2017.

19. Despite these efforts to facilitate trade, the cost of doing business in Nigeria is rather high. Customs procedures and documentation requirements remain burdensome and, according to the World Bank's Doing Business Report 2017, Nigeria is ranked 181th out of 190 countries for trading across borders. Between 2011 and 2016, the numbers of consignments physically inspected and of the related documents checked by NCS almost doubled, accounting for 70% of the total cleared in 2016.

20. Nigeria's regime on intellectual property rights (IPRs) has remained largely unchanged. Most of its IPR laws date back to before 1995. Geographical indications (GIs) are protected as certification marks under the Trademark Act. In 2015, Nigeria set up a Joint IPR Action Plan Committee to combat IPR infringements. On 16 January 2017, Nigeria notified the WTO of its acceptance of the Protocol Amending the TRIPS Agreement.

21. Agriculture is crucial to the economy and farming provides a livelihood to over 60% of the Nigerian population, although only 40% of the arable land is cultivated. Nigeria's agricultural sector has been in decline over the past four decades. In 2011, the Government embarked on two new policies – the Agricultural Transformation Agenda (ATA) and the Agricultural Promotion Policy (2016-2020) – to transform agriculture from a development-oriented to an agribusiness-focused industry based on integrated value chains. To this end, several programmes are in place; incentives are available to farmers to increase domestic production of certain commodities (such as cassava, rice and wheat); and several import prohibitions and restrictions are imposed on agricultural products. Nonetheless, the sector still faces various challenges, including shortages of feedstock as inputs; poorly maintained drainage systems; and poor transport networks which prevent timely transfer of agricultural goods to markets.

22. Given the central role of the gas and petroleum sector to Nigeria's economy, and despite the country's wealth of oil and gas, the sector continues to face many challenges, including sporadic supply disruptions; oil thefts leading to severe pipeline damages, production losses, pollution, and disruption of production; aging infrastructure; and poor maintenance and the resulting oil spills. Nigeria has one of the lowest rates of net electricity generation per capita in the world. Despite holding Africa's largest oil reserves, Nigeria imports almost all of its refined petroleum products largely due to low capacity utilization rates and security problems at its refineries. The drop in global crude oil prices in recent years allowed Nigeria to slowly phase out its contentious fuel subsidy programme that it began reforming in early 2012. The subsidy was completely removed in

2016. Investors in the oil and gas sector are subjected to an array of taxes, charges and local content requirements.

23. Nigeria is trying to diversify away from oil by building a competitive manufacturing sector, especially in automotive assembly, cement, and textiles and clothing. The main challenges to the manufacturing sector include poor electricity supply and infrastructure; competition from mainly smuggled imports; and poor access to credit.

24. The services sector, especially telecommunications which have benefited from increased competition, continuously grew over the review period. Nigerian banks in general remain adequately capitalized; however, rising non-performing loans (NPLs) and reduced creditworthiness of borrowers remain a concern. Although Nigeria's transportation matrix is one of the best in West Africa, the sector suffers from underinvestment and poor maintenance, with the majority of roads, railways, airports and ports in need of modernization. Entertainment emerged from the 2014 rebasing exercise as a key sector of the Nigerian economy; it comprises the third-largest film industry in the world in terms of production. However, a high piracy rate prevents the industry from generating optimal revenue.