

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Group of Experts on Trade and Aid Studies

SECRETARIAT NOTE ON THE MEETING OF THE GROUP OF EXPERTS ON TRADE AND AID STUDIES FROM 15-20 DECEMBER 1965

Nigeria

1. The Group held its second and concluding meeting on the secretariat's development plan study of Nigeria from 15 to 20 December 1965, under the chairmanship of Mr. E. Eylon, the expert from Israel. The meeting was attended by experts from the Federal Republic of Germany, India, Israel, the Netherlands, Nigeria, Sweden, the United Kingdom, Organisation for Economic Co-operation and Development, and the International Labour Organisation, Japan, and the following organizations were represented by observers: International Monetary Fund and the International Bank for Reconstruction and Development.

2. The Group had the following documents before it for its discussion of the Nigerian plan:

Study	COM.TD/G/W/1
Agenda	COM.TD/G/W/6
Tariff barriers	COM.TD/G/W/8
Secretariat note on the effects of differential tariffs	Spec(65)144

3. Set out below, under six major groupings, is a summary of the major points made in the discussion in relation to the items scheduled in the agenda, as well as the points of a more general nature relating to the continuity of the Group and its possible procedures. The record of the discussion is preceded by a summary of the findings and recommendations made by the Group of Experts.

I. FINDINGS AND RECOMMENDATIONS

A. The development of forest resources and wood processing industries

4. The development of this broad area of activities was discussed from a number of aspects with the following conclusions:

5. A matter of first priority is the undertaking of a complete inventory of Nigeria's forest resources which would form a basis for an efficient exploitation policy as well as conservation and reforestation policy. The latter, however, would best be formulated in the context of a general land-use plan. The Group noted that the matter was under study in Nigeria, and emphasized the need for speedy action.

6. It was further noted that the main possibility for reducing the production costs in lumbering and wood-processing was in increased commercial utilization of the so-called secondary timber species, that is species not yet marketed in sufficiently large volumes. Intensified research directed at determining the qualities and potential uses of the secondary timber species is a necessary pre-condition of any effort to expand the range of marketable species. The Group noted the important rôle which the recently established wood-utilization research unit in Nigeria could play in this respect and agreed that it represents a suitable base to build upon. The Group gratefully noted the offer of technical assistance from several countries represented in the meeting for the research programme to be developed by the Nigerian authorities.

7. The Group noted the existence of a large labour force possessing the basic skills which, appropriately upgraded, would facilitate the expansion of wood processing industries in Nigeria. It agreed that an increase in the supply of more highly skilled labour would constitute a significant attraction for additional investment by foreign firms. Such an investment is desirable, apart from its intrinsic value, partly for its demonstration effects on purely domestic firms, partly for the fact that it greatly simplifies the export marketing problem.

8. While some of the necessary vocational training can be obtained in the existing enterprises, there is a need for more training facilities administered by public bodies. The Group received with interest a statement concerning possibilities of technical assistance from the International Labour Office in the field of training for wood processing industry development in Nigeria; noted the efforts of the Nigerian Government to expand their vocational training programmes, and the difficulties encountered in this direction. It concluded that this area, too, deserves increased international support. For instance, the Group would suggest a closer integration of bilateral assistance programmes with foreign investment plans of industries of the donor countries. It would greatly stimulate such investment in the wood processing industries in Nigeria if the investing firm could count on its own government's assistance in labour training, housing, health and other welfare measures necessary to create an efficient industrial working force.

9. The Group also noted the need of many large firms to safeguard the efficiency of their operations by vertical integration of wood processing with logging; and concluded that the policy under which logging concessions are granted will have considerable influence on investment decisions in wood processing. The Group was informed of the efforts currently being undertaken by the Nigerian authorities to review the existing policies on the granting of concessions. It would recommend to the Nigerian authorities to maintain a high degree of flexibility in their negotiations with private concessionaires. A number of different arrangements is conceivable which would equally well satisfy the long-term interest of combining exploitation with appropriate reforestation measures.

10. The Group noted further that adequate marketing and promotional arrangements would be necessary to further the development of exports by this industry. In particular, the secondary timber species will require intensive promotion. There is also a need to organize increased firm-to-firm contacts and business missions so as to inform the Nigerian industry of market requirements abroad and the foreign wood processing industries of the production possibilities in Nigeria, and the Group recommends to the CONTRACTING PARTIES and to the Nigerian authorities to lend their support to such undertakings. Certain aspects at least of these activities could be organized or co-ordinated by the GATT International Trade Centre.

11. Finally, the Group noted that tariffs and other trade barriers represented considerable obstacles to the promotion of existing exports and the development of new exports by Nigeria's wood processing industries. These obstacles will be felt even more acutely when the Nigerian industry develops the capacity to export more highly processed products. Accordingly, the Group urgently recommends that the CONTRACTING PARTIES in their current trade negotiations give specific attention to the possibility of reducing or abolishing tariffs on sawn and processed timber and other wood manufactures from tropical countries. Additional investment, in particular foreign investment, in the Nigerian wood processing industries would be stimulated by tariff and trade liberalization measures and would help to improve the efficiency of wood processing in Nigeria and in the developed countries as well.

B. Vegetable oleaginous products

(i) Groundnuts and their derivatives

12. The Group noted the marketing difficulties encountered by Nigeria in this field. One cause of difficulties in recent years has been the increased competition from soyabeans in the markets for edible oleaginous matter. Improved cultivation techniques, increasing the yields and reducing the average cost of production of Nigerian groundnuts; the reduction or abolition of tariffs on groundnut oils; and the co-ordination of the marketing of animal and vegetable fats and oils and their raw materials in international trade, to be obtained in the context of the agricultural negotiations of the current round of trade negotiations, would materially contribute to an alleviation of the difficulties experienced by Nigeria.

13. The Nigerian authorities should also consider the possibility of increasing their exports of this commodity for direct human consumption. This product category faces a demand of a higher income elasticity and is not subject to a competition as immediate as that existing between standard grade groundnuts and soyabeans. The value added in the necessary sorting and grading could be considerable and would consist almost entirely of human labour. The Group recommends a reduction or abolition of the existing tariffs on raw and preserved groundnuts for direct human consumption. Improved access to this market would, to some extent, compensate for the difficulties encountered in the marketing of groundnuts for crushing and of groundnut oil.

(ii) Palm produce

14. The Group has agreed that the price prospects were more favourable for palm produce than for groundnuts and their derivatives, and that the export earnings from palm produce could be increased fairly rapidly. It agreed that the main problem in this export category was one of increasing the supply. The development of simple, cheap processing equipment would, and has, helped to raise the yields of palm oil, and to increase the production of palm kernels, in the remote areas of the country where oil palm was grown. In the long run, however, plantations equipped with more elaborate processing facilities, and processing also for the peasant grower, would offer the best prospect for placing the palm oil industry in Nigeria on a more competitive basis.

15. In the light of current experience in some other countries, it appeared to the Group that the replanting and other expansion schemes presently planned for this industry in Nigeria were relatively modest. The Group was of the opinion that international financial and technical assistance for pilot palm estates would significantly contribute to an expansion of production and export of palm and palm-kernel oil. The Group also noted that foreign private investment could be an even more effective means of modernizing this traditional industry. To attract such investment, however, it would be necessary to modify the marketing policies of the Palm Produce Marketing Boards.

C. Cocoa processing in Nigeria

16. The Group studied the extent of effective protection given to the processing industries of the industrialized countries by the existing tariff rates on cocoa products, in the secretariat document Spec(65)144. The value of the cocoa butter and powder produced from a ton of cocoa beans exceeds the value of the raw material by roughly 15 per cent. It follows that a differential of 15 percentage points between the import duty on cocoa beans on the one hand and cocoa butter and powder on the other amounts to 100 per cent protection for the processing operation in the importing country. In some of the main import markets the effective protection exceeds 100 per cent. The Group is of the opinion that a reduction or elimination of these tariffs would be of a substantial value to the processing industries of cocoa producing countries, and that it could contribute to the stabilization of the cocoa market. The Group recommends that the CONTRACTING PARTIES devote their attention to this problem in the context of the current trade negotiations.

17. The Group considered various possibilities for increasing the demand for cocoa. It noted that the per capita consumption of cocoa was very low in the centrally-planned economies, that in several of them it was lower now than in the pre-war period; and that a higher offtake by these countries would substantially improve the present situation in the cocoa market.

18. While in most countries cocoa products were considered luxury food, their high nutritive value should recommend them for the markets of the less-developed countries. The main obstacle in this respect is their cost, and the Group endorsed the view that an intensified research effort aimed at developing cheap cocoa drinks and confectionery, possibly to be undertaken as a joint enterprise of the cocoa-producing countries and the competent international organizations, could substantially increase the consumption of cocoa.

19. Finally, the Group reaffirmed the view that even in the high-income economies there would be a possibility of increasing cocoa consumption, for example, by a promotional effort of the cocoa producers aimed at inducing the manufacturers in the industrialized countries to increase the cocoa content of chocolate.

D. Industrial exports and trade with neighbouring countries

20. The Group reviewed the progress of import substitution in Nigeria, especially in regard to manufactured goods, and concluded that, on the whole, industrialization was proceeding at a satisfactory pace. Several manufacturing industries, originally set up to replace imports, are already developing a capacity to export, although the high cost of marketing in the industrialized countries precludes, for the time being, overseas export in most cases.

21. The Group noted that Nigeria was rapidly modernizing its tanning industry and would benefit from a general reduction of tariffs on semi-processed and finished leather. In the Group's view, the success of Nigeria's efforts to export a higher proportion of hides and skins in processed form requires close and continuous contact between Nigerian tanners and importers and importing manufacturers in the industrialized countries. The GATT International Trade Centre could be of considerable assistance in this respect.

22. Among other Nigerian industries with growing export capacities the Group noted in particular cement, roofing and other construction materials and fixtures; furniture and other wood manufactures; rubber products including rubber footwear; printed articles; boats, fishnets and related equipment; simple tools and household utensils; cotton fabrics; and miscellaneous chemicals. The Group would be strongly in favour of substantial reduction in tariffs on these items being effected in the current round of trade negotiations by the CONTRACTING PARTIES. Such tariff reductions would hasten the development of manufactured exports from Nigeria into the developed countries.

23. The importance of closer economic relations between Nigeria and her neighbours becomes particularly obvious in the context of manufacturing production for export. Nigeria can already supply a number of products in demand in the neighbouring countries as well as provide a relatively very large market for their products. In this respect the Group welcomed the measures proposed by the Economic Commission for Africa at its recent conferences to stimulate the development of such trade. The Group recommends to the CONTRACTING PARTIES to support these efforts by all appropriate means at their disposal.

24. In connexion with the need for diversifying production, the Group noted a statement by the representative of the International Labour Office concerning a Pilot Project for Rural Employment Promotion and welcomed the ILO's interest and active participation in the development of rural industries in Nigeria.

E. Export promotion

25. The Expert Group noted that the Government of Nigeria had recently decided to establish both at home and abroad export promotion services that would be adequate for the country's export needs. Among the developments envisaged under this policy decision were the reorganization of the Ministry of Trade, setting up of an export promotion council, establishment of an emporium for handicrafts, and the building up of a foreign trade service.

26. The Group welcomed this initiative of the Nigerian Government and recognized that Nigeria, in building up these services, would require advice and assistance from contracting parties possessing the requisite facilities and expert personnel. Also the International Trade Centre should stand ready to provide such assistance against specific requests and to co-operate with the Nigerian authorities in these tasks. The Trade Centre could also act as a co-ordinating agency for technical assistance in specialized fields of trade promotion offered by several of the countries present at the discussion.

27. The Group noted that in addition to general advice on contacts and organization the International Trade Centre could make a particularly useful contribution by assisting in the marketing of wood products and in the research into the possible commercial uses of the secondary timber species; and by arranging the contacts necessary for the development of exports of leather.

28. The Expert Group was of the view that since the assistance in trade promotion envisaged under these recommendations would have to be almost continuous for a period of time, if it is to be effective, the CONTRACTING PARTIES should take this into account in determining the level of resources of the Trade Centre during, say, the next two years. If the resources of the Centre are inadequate to provide assistance to Nigeria on a fairly broad front, CONTRACTING PARTIES would, no doubt, wish to consider undertaking this operation on an ad hoc basis with either technical assistance funds or with other special financing arrangements.

F. General

29. Finally, discussing its future activities in the programme of Trade and Aid Studies, the Group arrived at the following broad conclusions:

- (a) Studies prepared by the secretariat, while containing the necessary general analysis, prepared in co-operation with such competent international organizations as the International Monetary Fund, International Bank for Reconstruction and Development, Food and Agriculture Organization, etc., should continue to focus on specific problems of the export sector and elaborate them in a pragmatic manner, pointing to possible solutions. Having the views of other international bodies on the economy in general and on its main sectors, the experts will be better able to concentrate on the possibilities and means of practical action in the field of exports.
- (b) Noting the importance, and some of the possibilities of bringing about a more rapid expansion in the mutual trade of the less-developed countries, the Group would like the future country studies of the secretariat to investigate this aspect of the trade problem in greater detail. In this connexion the Group noted that certain production and trading possibilities might lend themselves to adequate examination only on a regional or sub-regional basis.
- (c) The Group should remain in contact, through the office of the GATT secretariat, between its ad hoc meetings and it should have the opportunity to review, after an appropriate interval, developments relevant to the recommendations made by it.

II. DISCUSSION

A. Introduction

30. The Group recalled that at its first meeting it had noted the important rôle played by exports in the development of the economy under discussion. About one sixth of the national income of Nigeria originated in the export sector which, in addition, supplied the bulk of the foreign exchange availabilities and a substantial part of the public revenue of the country. The Group had also noted that the export sector of Nigeria could be developed further and fairly rapidly if simultaneous but co-ordinated action would be initiated on several fronts.

31. The experts further recalled that in dealing with the trade problems of less-developed countries, the CONTRACTING PARTIES have recognized the importance of a broad approach, encompassing all aspects of the problem. In the course of the secretariat's studies, and in their preliminary discussion by the Expert Group, it had become increasingly clear that in order to ensure a stable and sufficiently rapid expansion of export earnings, export possibilities should be estimated and preparations for export made already at the early stages of production planning. Under its terms of reference the Group thus found it necessary to deal with the possibilities of trade expansion in Nigeria under three headings:

- (a) the measures, including technical and financial support from abroad, to increase the efficiency of industries with favourable export prospects;
- (b) the development of appropriate export promotion and marketing services;
- (c) the removal of commercial barriers and adoption of other measures aimed at improving the access of Nigerian products to the import markets. An important aspect of this effort is the need to develop closer and more intensive trade relations between Nigeria and its neighbouring economies.

32. The Group noted at the outset that the secretariat studies had already analyzed trade problems of Nigeria commodity by commodity. After a general discussion on the items of the agenda, the Group in its concluding meeting considered a number of specific issues which it felt to be of particular importance.

B. Development of forest resources and wood-processing industries

33. Before commencing their discussion on Nigerian timber, the Group recalled that, according to the commodity note on timber in the secretariat's study, in terms of employment, lumbering and wood-processing is one of the largest industries in Nigeria and it is the seventh largest export industry. It was further noted that the secretariat's study had found that increased policy emphasis on its development was advisable because:

- (a) external market for timber and timber products shows a favourable long-term trend and it would be in this commodity group where the desired conversion from raw to processed exports would be most valuable to Nigeria;
- (b) the domestic demand for wood products is also growing rapidly; and
- (c) the raw material reserves presently under exploitation are approaching the point of diminishing returns; consequently increased policy attention is urgently needed to safeguard future export availabilities in the long run.

34. The Group agreed that in its present examination it should distinguish clearly forest resources from the need to encourage the Nigerian wood-processing industry although the two were interrelated.

35. In his opening remarks the Chairman called the expert's attention to the high degree of depletion of certain African timber species traditionally exported to Europe. This, he said, made it urgent to conserve Nigeria's forest reserves and hence its future export availabilities. An efficient exploitation policy, accompanied by adequate conservation and reforestation measures could only be devised on a basis of a thorough and complete inventory of Nigeria's existing forest resources. The leader of the Nigerian delegation agreed that such an inventory was necessary. However, as it was beyond the immediate resources of Nigeria to carry it out, he felt it would depend on external expertise and financial assistance, in large part, for its successful implementation. The expert from the United Kingdom, while agreeing that an inventory should be given urgent priority, recalled that forests were desirable for several reasons. He referred to the effect permanent forests had on climatic conditions and erosion control, apart from their exploitation and regeneration. He thought it was advisable, before deciding on the size of the permanent forest estate, to have a proper land use survey. The United Kingdom expert strongly urged, therefore, that an inventory of forestry resources should be done in the context of an overall study of the expected allocation of land usage in Nigeria. This point was endorsed by the Nigerian delegation. On the subject of a forest survey, the Nigerian expert told the Group that a special committee had already been appointed to look into this problem and that its report on conservation and utilization had been issued in draft form. It would be several months, however, before the report was made available to the public and the industry.

36. The delegation from the Federal Republic of Germany included a timber specialist. He stressed the urgent need for continuing research into potential uses of the so-called secondary timber species, that is, species relatively abundant in Nigerian forests but not yet marketed in substantial volumes. He felt that a special research body should be set up to investigate different varieties of wood; they should also consider the possibility of introducing those new varieties into the international market. Some wood, he said, particularly those of lesser quality, lend themselves well to sawing. A scientific identification of this sort of timber would, he thought, help to justify the further establishment of large-scale sawmills in Nigeria. Further remarks were made on the need for skilled manpower to handle the machinery which would have to be used.

37. The Nigerian expert informed the Group that the market for various African timber was highly fragmented, characterized by a demand for a few particular species in each national market. He felt that, because of the size and complexity of the problem, research into secondary species would have to be sponsored by some international grouping. The United Kingdom expert agreed that research was

necessary; he knew from personal experience that investigating the use of secondary timber was a major problem. He mentioned a recent example of a partnership set up in Nigeria to produce plywood in which minor species were currently being used as core stock. He stressed the fact that the required research should be properly organized and continuous. Several experts, while endorsing this point, emphasized that scientific research must be practically orientated towards the buyer. In this context, the Nigerian expert, informed the Group of the existence of a timber utilization research unit in Nigeria which, he felt, could serve as a nucleus for further expansion of activity in this field. The Nigerian delegate noted with pleasure that several experts had made known, in the course of the discussion, their countries' willingness to provide specific assistance to this end.

38. The Chairman recalled the Group's attention to several points that needed to be taken up. The timber specialist from the Federal Republic of Germany had referred to the necessity of using the latest machinery which demands a high degree of skill from the operatives in the industry: the Group accordingly discussed the various ways in which the process of vocational training could be expanded and accelerated. The Chairman suggested, on the lines of the United Kingdom delegate's previous remarks, that active participation by foreign timber firms, in Nigeria, would not only help to overcome the initial problems of promoting the acceptability of locally processed wood but could also provide the opportunity for specialized on-the-spot training. It was further suggested that such investment would be encouraged if the member countries' governments supported, in the framework of their bilateral aid programmes, the establishment of such necessary ancillary services as training and other personnel measures.

39. The German expert wanted to know how far the Nigerian Government was supporting these activities. The Nigerian delegate in reply drew attention to the presence of a large labour force possessing the basic skills. He agreed that, while some of the necessary vocational training could be obtained in the existing enterprises, there was a need for more training facilities administered by public bodies. The expert from Nigeria also informed the Group about the recent programme initiated by his Government to develop vocational training. He emphasized, in the course of his remarks, that the problem of insufficiently skilled artisans extended all over the Nigerian economy and was not confined to timber alone. While some progress had been made, he said, in the development of centres for the training of workers, this was mainly directed towards acquiring skills for small-scale activities.

40. At this point, the Group received with interest a statement from the ILO representative concerning the possibilities of technical assistance from the International Labour Office. He described the ILO's work in the field of training in Nigeria and their programme to train instructors and foremen. On the timber side, he said, they were concerned with such fields as carpentry and joinery. He agreed, in response to a question, that this scheme could perhaps be enlarged in scope and that it would be possible for the ILO to engage in a new project concerning training for wood-processing industries, including all aspects of

training of skilled personnel. Several experts expressed the hope that a formal request for such assistance from the ILO would be expedited soon, as it should have important effects on upgrading the quality of local fabrication for the internal market.

41. The Indian and German experts were of the opinion that one of the major impediments to the development of the wood-processing industry in Nigeria was the marketing problem. This would be particularly so in introducing secondary and new species to the world market. The German expert noted that, while his country was an important purchaser of Nigerian timber, trade was confined only to a few well-known species. The United Kingdom expert emphasized the need in the timber trade to upgrade the quality of the existing exports and to reduce the degree of loss of value to Nigeria as a result of inefficient preparation and inspection prior to export. The previous remarks by the United Kingdom expert were recalled when the Nigerian delegate pointed out that the marketing difficulties could be overcome by greater participation in Nigeria of foreign firms with widespread distribution channels and buyers in the main consuming areas.

42. The Chairman invited comments from a member of the GATT International Trade Centre who was present. The deputy head of the Centre referred to the field research which was currently being carried out on the subject of veneer and plywood. He stressed the need for a consumer orientated approach: if wood processing for export were to be advanced, adequate marketing and promotional arrangements were necessary, and this process had to be integrated right back to the initial harvesting of the logs. In this context, he cited the example of the Gabon which, despite its size, had become one of the largest exporters of tropical timber to Western Europe. This, he believed, was largely because of their programme of practical co-operation in the research field and their initiative in setting up wood industries based on French expertise. The Centre, he said, had also found a willingness on the part of European importers to consider selling plywood fabricated from little known species provided that the trade's standards and specifications were adhered to. Of particular importance, however, was the trade's insistence on quality and continuity of supply; without these guarantees development of a market for new species would be exceptionally difficult. Finally, he stressed the necessity for mounting adequate and comprehensive promotional campaigns built around the possible uses and outlets of the new wood which was to be marketed. The expert from the Netherlands agreed that information, in a far more extensive form, would have to be provided to the trade on the extent of Nigeria's usable timber. It would help in this connexion, he thought, if business contacts and timber trade missions were given specific encouragement. The Swedish expert also stressed the importance of direct contacts between the Nigerian industry and the wood processing industry in the developed countries, owing to the many different problems that were involved. The United Kingdom expert said that if the Nigerian delegation could inform him on specific wood opportunities in Nigeria he would personally pass the information on to firms in his country which might be interested. The Chairman suggested that the variety of issues and activities raised could best be furthered if Nigeria established a Timber Authority to cover these responsibilities. Offers of international assistance could also be channelled through such a body.

43. In the discussion on export marketing, the Nigerian delegate referred to the problem of expanding trade in those species currently being marketed and of ensuring that additional value through processing was added locally prior to export. The expert from India mentioned the importance of market access and availability in helping to generate the local development of activity and referred in this context to the importance of tariffs. The Group's attention was accordingly drawn to the secretariat's note on tariff barriers facing products of major export interest to Nigeria, COM.TD/G/W/8. The United Kingdom expert emphasized the effect that tariffs could have on the timber trade. The fact that the United Kingdom was Nigeria's most important timber outlet was, he believed, a direct reflection of the tariff structure in his country. Referring to COM.TD/G/W/8, he pointed out that tropical timber and wood articles exported by Nigeria entered the United Kingdom free of duty. The Indian representative stressed the adverse effects progressive tariff rates could have on the development of exports of wooden articles and manufactures. He said that reluctance on the part of certain developed countries to reduce tariffs was due partly to the fact that it might affect their own production. To overcome this difficulty, the Indian expert suggested the creation of a separate tariff heading or description to apply only to the types of wood exported by Nigeria which were distinguishable by their special design and characteristics. The advantage of such a course of action he said, would be that developed countries need not fear that a reduction in their tariffs would affect the other third country imports. In the context of tariff reduction, the experts heard with interest a statement by the Deputy Director-General to the effect that the steps necessary to help to overcome the problems confronting developing countries increasing their exports fell, quite clearly, within the mandate of the current Kennedy Round.

44. The United Kingdom delegate raised the point of the question of forest concessions. The Nigerian expert stated in reply, that it was his Government's policy to require concessionaires to couple exploitation with some degree of reforestation. The Chairman suggested that this obstacle, if it was a difficulty, could be overcome by the Nigerian Government fixing different conditions and financial terms depending on whether a particular firm wishes or does not wish to assume responsibility for reforestation. A further factor which was mentioned, the experts recalled, in the GATT study, was the need to consolidate the existing multiplicity of concessions into larger units, instead of the practice current in some parts of Nigeria of granting numerous small concessions to operators which made the efficient utilization of such concessions very difficult. The Nigerian expert assured the Group that the present policy of concession granting was currently under review in Nigeria.

45. In concluding the first part of the agenda the experts agreed that there were a number of findings and conclusions which they could put forward unanimously and upon which they hoped there would be some action. It was further agreed that several of the suggestions put forward would need to be co-ordinated either in Nigeria or through the GATT. The Trade Centre, it was felt, was well fitted to act as a co-ordinating body for assistance measures directed to market research and marketing. The Group accordingly agreed that a recommendation should be put forward to this effect.

C. Vegetable oleaginous products

46. At the outset of the discussion on vegetable oleaginous products the leader of the Nigerian delegation pointed out that, from the production point of view groundnuts and palm produce, the products in question, were not really substitutable. He suggested, therefore, and the experts agreed, that because of the difference in the nature of the problem that affects these two different crops, the discussion would be divided to obviate any possible confusion.

(i) Groundnuts and their derivatives

47. In answer to a question, the Nigerian expert stated that Nigeria had less of a problem with the marketing of groundnuts than with the marketing of groundnut oil. The secretariat then suggested that the marketing problem was comprised of two separate issues. One was the problem of the tariffs encountered by groundnut oil, the other, the competition from soyabeans and soya products. The observer from the OECD drew attention to another factor which, he said, was perhaps of key importance. This was the development of the market in the industrialized countries for oilseed cake.

48. The Group directed its attention to a secretariat paper on the effects of differential tariffs, Spec(65)144. In referring to it, several experts pointed out that although the tariffs levied on groundnut oil in some of the major industrial markets appeared modest - around 10 per cent to 15 per cent - they, in fact, yield a very high effective protection to the processing industries in the main consuming markets. This was due to the fact that the value added in processing is relatively low (though difficult to ascertain exactly, it can be estimated at between 5 and 10 per cent); so that a 10 per cent tariff on the processed product yields around 100 per cent protection of the process.

49. The Nigerian expert again referred to the importance of the severe competition faced by groundnuts from soya. The Chairman drew attention to several tables in the secretariat's study of Nigeria which summarized what had been happening in the oilseed market. Soyabeans and soyabean processed products, he said, have an advantage in that the cake obtained from processing has high nutritional value and was preferred by the users so that over the past seven years the volume of trade in soyabean cake has increased against a rising price trend. Since almost 80 per cent of the weight of soyabeans constitutes the residual cake this price rise in the cake has permitted substantial reductions in the price of oil. The observer from the OECD noted that the prices of all components of groundnuts had been declining and this decline was, in his view, necessitated by the competition from soybeans..

50. In reply to a question, the expert from Nigeria said that, because of a number of factors, he did not believe a reduction in the tariff on all vegetable oils would solve the marketing problem of groundnut oil. As far as the competition from soyabeans was concerned, he said it was not sufficient to talk in terms of technological developments alone. He drew attention to the farm support element in the production of soyabeans in the United States, which, he suggested, gave rise to unfair competition as the main product of soya was not oil but feeding stuffs. A further factor he said, was the policies and non-tariff barriers, such as mixing regulations, taxes on the production of margarine etc., which, in most European countries, favour animal fats against vegetable oils in general and domestically produced oleaginous matter against imports. He was of the opinion therefore that Nigeria's marketing difficulties for groundnut oil were due, not only to the existence of tariffs and other barriers to trade and to technological developments, but also to the domestic agricultural policies of most of the developed contracting parties. The Chairman felt that in the absence of the several interested parties, the Group should not pronounce on the latter topic per se. He suggested, however, that Nigeria could initiate talks with the United States on the question of soyabean disposal. A further step, he thought, should be a proposal by the Group calling for a greater degree of co-ordination in the marketing of tropical oils and temperate oils and animal fats produced in the developed countries. This could be considered by the CONTRACTING PARTIES in the context of the agricultural negotiations of the Kennedy Round.

51. Several of the Group responded to the secretariat's invitation to give information about the market prospects for vegetable oils and oilseeds in their own countries. The Group heard with interest the comments of the United Kingdom, the Federal Republic of Germany and the Netherlands' delegations. It appeared difficult to assess the future prospects of any particular vegetable oil, as, because of the interchangeability in use of different oils and animal fats, their prospects will depend to a large extent on relative availability and price. The Indian expert noted, in this context, that the predominant problem faced by developing countries in the export of vegetable oils is the competition they have to face from oils produced in the temperate zone. He suggested that the possibilities of a structural readjustment of the pattern of agricultural production in these countries should be investigated. He noted that another Group in the GATT were discussing the problem of adjustment assistance and suggested that the experts should recommend to this Group that they should study how far the concept of structural readjustment, previously confined to manufactures, could be extended to the sphere of agriculture.

52. While discussing the subject, the United Kingdom delegate and the observer from the OECD drew attention to the comparative neglect of the edible groundnut market. According to several experts there is a special market for groundnuts which is differentiated from the larger market and this was the market for groundnuts prepared for eating. The Group were informed that these selected groundnuts

were marketed at much higher prices and that the income elasticity of demand in this market appeared much greater. Finally, it was likely that the value added by selecting and grading edible groundnuts is relatively high, and moreover that as the value added here consisted of human labour little capital investment was needed to effect the upgrading of the product. They accordingly suggested that the Nigerian Government give greater emphasis to this sector than hitherto.

53. In concluding the discussion on groundnuts the Chairman and several experts suggested that constructive approaches to the problem of Nigeria's groundnuts should first concentrate on improving the techniques in production, and reducing the cost in production of groundnuts. They were of the opinion that the scope for such cost reductions and production increases in Nigeria is large and may be sufficient to increase profits in the production process even if further price declines become necessary. The expert from Nigeria agreed that production possibilities for groundnuts in Nigeria were immense. However, as he pointed out, even though the offtake for domestic consumption could be expected to grow there would still be a residual problem. Nigeria's difficulty, he said, was not so much the development of the export market for groundnuts but more the problem to be confronted by a change in the composition of that export. The crucial question was the proportion which could be marketed abroad as nut and the proportion which could be exported in the form of oil and cake.

(ii) Palm produce

54. With regard to the points listed on the agenda, the Group agreed that they were essentially questions concerning production. The problems of this area were dealt with from a number of different angles in the course of the ensuing discussion.

55. From the information in the secretariat's study and the opinions made available by some of the delegates present, the experts were of the opinion that the main problem facing palm produce production in Nigeria was that of increasing supply. In answer to a question, the head of the Nigerian delegation stressed that at the production level there were two major problems: the one, the rehabilitation of peasant holdings, the other, the development of large-scale plantations. The difficulty in the first, he said, which had to be overcome, was that the peasant would have to face a temporary loss of income as a result of having to replant his holding. In the area of plantation development, he said, the main difficulties were concerned with land tenure and acquisition.

56. The United Kingdom expert added that there was a further obstacle not only to increased supply of palm produce but also to increased private development in the oil palm industry. This, he said, was the existence of the Palm Produce Marketing Board. He was of the opinion that private industrial development and private

investment could and should be of considerable importance in the modernizing of the industry and this seemed to be recognized in Nigeria. The problems in this field, however, would not be solved as long as the Board pursues its present policies; if additional private capital was to be attracted, there would have to be a radical rethinking of the existing marketing arrangements. The Nigerian Ambassador agreed that a serious obstacle to foreign investment in the industry was the existence of a marketing board system in control of the exports of the final produce. The Nigerians, he said, were taking a further look at the situation, however, and he cited the example of palm-kernel oil, production and disposal of which is now being undertaken outside the auspices of the marketing boards.

57. Some surprise was also expressed by the United Kingdom expert on the modesty of the Nigerian targets for production and export of palm produce. The yields expected in Nigeria, he said, from cultivated wild palm were 265 lbs./acre and that of the best hybrid variety, 1,200 lbs./acre. In Malaya, on the other hand, a close competitor of Nigeria, the average expectation was around 3,360 lbs./acre, while the best estates were producing 4,480 lbs./acre. The planting programmes showed the same discrepancy: in Nigeria, the development plan provides for planting some 15,000 acres per year, in Malaya, a smaller country with a population of only 7 million, the Development Authority were starting ten to twelve new settlement schemes per year of 4,000 acres each or some 40,000 acres in total each year. He felt that there was far more scope for increased, and profitable production in Nigeria, than had perhaps been realized. The United Kingdom delegate noted, however, that while the oil palm was indigenous to Nigeria, in many areas it might not be growing under ideal conditions as the comparisons with Malaya suggested. Where this was the case, serious consideration should be given to the possibility of replanting these areas with rubber.

58. In the context of the discussion on the palm processing industry, the United Kingdom expert, who had had personal experience in this field emphasized that producing large quantities of high quality palm oil was a highly technical business. While he agreed that simple, cheap and effective equipment was needed for the more remote producing areas (which may perhaps go hand in hand with the Chairman's suggestion of schemes for industrial development in rural areas), the idea of nucleus plantations, he felt, together with the Nigerian farm settlement scheme, where new planting and replanting could be done on an organized, managed basis, centred around large processing plants, offered much the best prospects for Nigeria. The United Kingdom and Nigerian delegates raised the question of obtaining foreign aid for projects, the offshore cost of which was small. The representative of the OECD pointed out that the World Bank has changed its policy on this score in recent years and its new commitments in Kenya, Uganda and Malaya were mentioned. He said the problem was also under active and sympathetic consideration in the OECD and that certain donor countries appeared less reluctant to provide funds for local cost financing than hithertofore.

59. In concluding the session on palm produce, the German representative referred to the farm resettlement scheme in Nigeria. Apart from the other measures of assistance which had been mentioned, he felt that the reorganization of its small farmers could be a stimulus for other types of development. Similar suggestions were put forward by the representative of the OECD. The German expert thought that the scheme could be fostered in two ways. One would be through technical assistance to build up pilot estates by providing experts and the necessary machinery. The other would be by building up so-called pilot villages on a co-operative basis. Apart from the intrinsic value of such assistance, he believed there would also be a valuable demonstration effect for local farmers and investors.

D. Cocoa processing in Nigeria

60. The Group noted the report by the Nigerian delegation that in the next few years the production of raw cocoa in Nigeria could be expected to remain stable. In the meantime, they learnt that Nigeria was developing, with the participation of several foreign firms, a processing capacity expected to transform, when completed, one quarter to one third of the annual production of cocoa beans into cocoa butter and powder. The Nigerian expert remarked, however, that recent assessments had suggested that there might be a greater disposal and storage problem for these products than had at first been estimated. This was partly because the firms associated with Nigeria in this enterprise, which originally guaranteed to place the new output in foreign markets, had not previously handled a large proportion of the output of the raw cocoa sold.

61. The Group agreed that it would be unnecessary for them to discuss the problems dealing with the marketing of cocoa beans, and price stabilization schemes for this commodity, as this problem was being extensively dealt with in other institutions. The question of the disposal of processed cocoa was, however, important and in this context the Chairman drew the attention of the Group to the extent of the effective protection given to the processing industries of the industrialized countries by the existing tariff rates on cocoa products, as outlined in the secretariat document Spec(65)144.

62. The experts noted from the calculations made, that the value of the cocoa butter and powder produced from a ton of cocoa beans exceeds the value of the raw material by roughly 15 per cent. It follows that a differential of 15 percentage points between the import duty on cocoa beans on the one hand and cocoa butter and powder on the other amounts to 100 per cent protection for the processing operation in the importing country. In some of the main import markets, the Group noted, effective protection exceeded 100 per cent.

63. In discussing the question of increasing the demand for cocoa and the consumption of cocoa derivatives, the United Kingdom expert and the representative of the OECD drew attention to the under-consumption of cocoa and chocolate in certain Eastern European countries as well as in some of the smaller Western European countries. The Chairman also drew attention to the potential for an increased intake of chocolate among the developing countries where it offered advantages when used in an unsophisticated way as a genuine foodstuff. The Indian expert, while accepting the nutritive qualities of cocoa products, said that because of the very low per capita income in developing countries and their strained foreign exchange position, the probable selling price would tend to restrict any large increases in consumption. However, the increase in Japanese cocoa consumption was given by the representative of the OECD as an example of the value of trying to promote chocolate in areas where it had not been traditionally consumed.

64. Finally, the United Kingdom expert referred to the fact that, as far as questions of selling and publicity were concerned, this was mainly handled by the chocolate manufacturers rather than the cocoa producers. He strongly advised the need for the producing countries to mount a campaign to promote an increase in the cocoa content of chocolates, as around two thirds of the chocolate sold to the public consists of a pink sago flour called strawberry cream. What was needed, he said, was to promote chocolate consumption as a whole, rather than specific brands as was the case at the moment. Several representatives agreed with the United Kingdom expert that there was also the need to promote the consumption of chocolate in other than conventional forms. The United Kingdom expert cited the widespread use of cocoa as a drink in the Philippines as an instance of what could possibly be done.

E. Industrial exports and trade with neighbouring countries

65. Before proceeding with the next item on the agenda, the Chairman of the Group called on the representative of the International Monetary Fund to give the experts a brief outline of the monetary position of Nigeria as viewed by the staff of the Fund. It was agreed that such a statement - a copy of which is appended to this summary - would be useful background material for the next subject to be discussed.

66. At the outset of the discussion the Nigerian expert described the main types of industrial endeavour in Nigeria from the point of view of their export possibilities and their import substitution effects. The experts noted that Nigeria was fortunate in having a large domestic market which meant a secure base could be provided for concerns which would, in due course, become sufficiently competitive for export markets, particularly in neighbouring countries. On the subject of import substitution, the Nigerian representative said that his Government's strategy in this field was to substitute in the area of finished goods rather than in the area of capital goods, although some development had taken place in the manufacture of intermediate goods. Numerous categories were given in his statement by way of illustration.

67. The United Kingdom and German experts noted from this that several industries would soon be in the position of having sufficient capacity to start expanding their sales to neighbouring markets. For example, the prospects of the cement and construction industry, cotton textile prints, petroleum products, etc., were particularly noted. The Chairman agreed with the OECD representative that there were also possibilities of industries, either indigenous, or initially established for their import substitution effect, to expand production for export once they had proved successful in their operations on the domestic market. They suggested that the Government pay greater attention to industries with these prospects, as the Nigerian expert had previously said that the orientation of Nigerian firms has been inward looking because of the domestic market potential.

68. In this context, the Group welcomed an outline by the representative of the International Labour Office of his organization's activities in Nigeria in connexion with the diversification of production and promotion of rural industries. The Nigerian experts noted that Nigeria had also received specific assistance from the ILO in the curing and tanning and treatment of Nigerian hides and skins for export and for local use.

69. The representative of the OECD drew attention to the statistical breakdown provided by the secretariat of Nigerian imports in 1958 and 1963. After general discussion with the Nigerian experts he noted that Nigeria, despite a growing population and rising living standard, had managed to restructure its import bill and that in real terms the increase had not been very great. He also raised the question of inter-African trade. In reply, the Nigerian Ambassador agreed that this was a very important subject. Nigeria, he said, had an exceedingly promising background for industrial manufactures, not only because it had a large domestic market to provide a base for expansion, but also because of its contiguity with a number of other West African countries which could logically serve as an extended market area. In reality, he said, there were a number of difficulties. The neighbouring countries were associated with the European Economic Community, and that from a tariff point of view, Nigeria would be at a competitive disadvantage in these markets vis-à-vis exports from the Community. He noted that Nigeria had recently concluded its negotiations with the EEC and said that he hoped that the present situation could be satisfactorily resolved in mutual negotiation with the African countries so that a more extended market could take shape in the region. The experts were of the opinion that promotion of inter-regional trade in the area would be an important element in providing a further base for the expansion of manufactures as well as agri-allied industries in West Africa.

70. The importance of tariff reductions to promote a widening of the export market for processed and manufactured products was stressed by the Indian expert. In the context of developing industrialization he again referred to the secretariat document COM.TD/G/W/8, which listed the barriers to trade on products of major and potential export interest to Nigeria. It was agreed that the tariff issue should be given even further emphasis by the Group in the light of the current background of the trade negotiations conference.

F. Export promotion

71. At the outset of the discussion the Chairman of the Group noted that problems of technical assistance in the field of export organization and promotion had already come up under various headings during the experts' deliberations. Further, that several propositions on this score had already been listed, and that a number of delegates, on behalf of their governments, had promised assistance to Nigeria in the course of the discussion.

72. In his opening remarks on the subject, the Nigerian Ambassador recognized that while his country had considerable experience in selling its traditional produce abroad, there was little experience in the area of industrial goods and manufactured articles. As a consequence, he pointed out, Nigeria would need assistance in these fields especially in the choice of markets and products and the modern techniques of selling new products or established products into new markets. Several experts pointed out in this context that while an international centre could represent a saving in manpower and expenditure, it was not a complete substitute for national trade promotion, although the former could be very helpful in bridging the gap in current marketing expertise.

73. At this point the Netherlands delegate stated that he had been authorized by his Government to say that Holland, to the extent possible, was ready to assist in the marketing of any new or existing Nigerian products. He also mentioned the services which could be provided by the Dutch tropical products institute. The Chairman, speaking on behalf of the Israeli Government, said that to the extent that expertise from Israel would be required, it, too, would be made available. A similar offer was made by the expert from the Federal Republic of Germany. The Nigerian Ambassador expressed his gratitude for these offers of assistance.

74. The Chairman pointed out that, as had been found in the discussion on Uganda, the International Trade Centre of GATT was well placed by virtue of its organizational structure to act as a co-ordinating body through which offers of assistance could be channelled. The United Kingdom expert suggested that the Group make a reference to this effect in their report to the CONTRACTING PARTIES, as they had done at the conclusion of their meeting on Uganda, in the knowledge that there was no wish to exclude assistance being sought or given through the various bilateral channels. The Nigerian expert agreed to this. He also pointed out that the Government of Nigeria was considering the establishment of an export promotion council though its precise structure had not been defined as yet. It would be preferable, therefore, he suggested, if the resolution could be worded to take note of Nigeria's difficulties and the Centre and the CONTRACTING PARTIES be asked to stand ready to assist when Nigeria presents its request for aid and help. This, he said, would be apart from the request for assistance already agreed to in connexion with the discussion on timber and tanning products.

75. Before the session ended, the Chairman called on the representative of the IBRD to make a statement on behalf of the World Bank concerning the studies being undertaken by the Group of Experts. He referred to the very real interest taken by the Bank in the work being done by the GATT in developing trade and trade possibilities. Some of the Group, he said, were already aware of the Bank's work in organizing a large number of special consultative groups to help various member countries. Although the work involved in preparing this new activity had prevented a full time member of the staff from being present at the Group's meetings the Bank had nevertheless made available additional data to the GATT, and its own ten volume study on Nigeria would be sent shortly to the secretariat. The Chairman, in his reply, noted that inevitably in the course of their discussions the Group had touched on issues not directly connected with trade. This was necessary, he said, to the extent that it clarified the background to particular aspects of the country's export effort. The experts were concerned to ensure adequate co-ordination between their final conclusions and the policy objectives pursued by other competent organizations. The Chairman pointed out that it had been their aim to frame views and recommendations in as practical a manner as possible and that they had tried to suggest certain areas which had not perhaps received sufficient attention. He recalled that the next consultative group meeting of the World Bank would be with Nigeria; he hoped that the Group's findings would be noted.

76. The Nigerian Ambassador, after thanking the Chairman and the experts for their work, said that he attached a good deal of importance to the secretariat's study and to the Group's discussions. He noted that the problems dealt with by the Bank were different from those suggested in the GATT study which dealt essentially with problems of trade. He felt, therefore, that in a sense both the Bank and the GATT's studies of Nigeria were complementary and that Nigeria had gained a great deal from both branches of activity.

G. General

77. In the concluding session of the last meeting of the Expert Group, discussion centred on their future activities in the programme of Trade and Aid Studies. The United Kingdom and German experts were of the opinion that some measures would have to be devised for maintaining the continuity of the Group. The Chairman agreed and stressed that the spirit of collaboration which had evolved and the practicality of the advice and offers of assistance rendered, should not be lost through the physical dispersion of the Group. This, he said, was not only because the experts and the Nigerian delegation had personally stated that they attached great importance to knowing what would happen to the Group's recommendations, but also, as was suggested by the expert from the Netherlands, some means of follow-up would prove to be necessary. This would assist their parent body, the Committee on Trade and Development, to assess the utility, practicality and efficacy of the GATT's country study programme.

78. Several of the Group also stressed that one of the positive aspects of their meeting was the fact that recommendations had been adopted unanimously by all the experts as well as the representative of the country under discussion. It was generally suggested that the secretariat should act as the agent through which the Group would maintain contact. Finally, the expert from the Federal Republic of Germany suggested to the secretariat that future studies, where possible, should devote more attention to the possibilities of trade with neighbouring countries. It was agreed that a recommendation would be drafted to this effect.

APPENDIXNOTE ON NIGERIAPrepared by the Staff of the International Monetary Fund

In recent years, Nigeria has experienced a persistent imbalance in its external payments which has led to a substantial drawing down of the country's foreign exchange reserves. The Federal and Regional Governments have incurred continuing overall budget deficits mainly for the purpose of financing capital expenditures - and there has been a rapid expansion of credit to the private sector. It is estimated that in the three fiscal years 1961/62 to 1964/65, roughly one third of the overall budgetary deficits of the Federal Government was financed by external assistance and new domestic savings, the remainder being met out of accumulated foreign exchange reserves and credit from the banking system. Credit to the private sector more than doubled between 1961 and 1964. The impact of the expansionary elements on money supply and prices was substantially mitigated until 1964 by the drawing down of reserves; however, in 1964 money supply increased by about 13 per cent despite a concurrent loss in reserves.

The Nigerian authorities introduced several measures in the fiscal and monetary field during the second half of 1964 with a view to slowing down the growth in internal demand and strengthening the balance of payments. In August 1964, a major increase in import duties was announced, and new excise taxes were levied. In the credit field, the Central Bank announced in October 1964 certain measures designed to limit commercial bank credit expansion, especially in areas considered to be of low priority such as the financing of less-essential imports and "hire purchase" activities.

In the first three quarters of 1965, total domestic credit showed a significant decline. Credit to the Government increased from £27.2 million to £34.9 million but all other domestic assets (net) of the banking system showed a sharp drop, falling from £125.4 million at the end of 1964 to £93.3 million at the end of September 1965. In part this decline in credit to the private sector was of a seasonal nature but even after making allowance for this fact there appears so far to have been a cut back in credit to the private sector. The net foreign assets position of the banking system showed an improvement of £19 million in this period. Money supply at the end of September 1965 was about £17.5 million or 11 per cent lower than at the end of the previous year.

The revised budget figures for the fiscal year 1964/65 show a surplus in the recurrent budget of £11.2 million as compared to only £3.2 million in 1963/64. Total revenues collected by the Federal Government are estimated at £147.8 million, or some 19 per cent higher than the original budget estimate of £124.6 million,

reflecting the effects of the additional taxation measures introduced in August 1964. The share of the Regional Governments in total revenues collected by the Federal Government in 1964/65 was estimated at £61.5 million leaving £86.3 million for the Federal Government. In contrast with the substantial growth in revenues, recurrent expenditures of the Federal Government in 1964/65 are estimated to have increased by only 3.7 per cent as compared with a 20 per cent increase registered in the previous year. At the beginning of the 1964/65 fiscal year, the Government has decided to limit expenditures of most Government departments to 85 per cent of the amount appropriated by Parliament. Although this policy had to be modified to provide for the salary increases resulting from the recommendations of the Morgan Commission (see below), the revised estimate of recurrent expenditures for 1964/65 are almost £5 million below the approved budget figures. Firm estimates of capital expenditures for 1964/65 are not yet available.

The budget estimates for 1965/66 anticipate substantial further growth in both Government revenues and expenditures. Revenues collected by the Federal Government are estimated to amount to £160 million, an increase of 8.4 per cent over the revised estimates for 1964/65. Of this amount, £64 million will be transferred to the Regions leaving £96.2 million for the Federal Government budget. Current expenditures are estimated to increase by 14.6 per cent to £86.1 million. A surplus in the recurrent budget of £10.1 million, or approximately of the same magnitude as in 1964/65, is contemplated. Capital expenditures are budgeted at £109.9 million of which £76.5 million represents expenditures to be incurred by the Federal Government and the balance consists of loans and grants to Regional Governments. In introducing the budget for 1965/66, the Minister of Finance stated that while the Government would strive to obtain additional foreign assistance, it intended to limit capital expenditures in 1965/66 to the assured financial resources estimated to accrue within the financial year. The resources for the capital budget that were already assured amounted, in the Minister's assessment, to some £41.9 million, £22.5 million of which were expected from foreign loans and grants, and £19 million from domestic sources; this latter figure includes the estimated recurrent budget surplus.

Nigeria's total external reserves (including holdings of official and semi-official institutions and the net foreign assets of the commercial banks) fell from about £210 million in 1959 to about £77 million at the end of 1964. Despite a 12 per cent increase of exports in 1964 (from £187.7 million in 1963 to £211 million in the following year) and a large increase in the inflow of private capital (£51.7 million in 1964 as against £15 million in 1963) Nigeria experienced a decline in its official and banking assets of £17 million in 1964. Preliminary data for 1965 indicate, however, an improved payments position for the current year as a result partly of a very rapid growth in oil production and exports and a

continued heavy inflow of foreign capital. Exports in the first three quarters of 1965 were running at an annual rate approximately 30 per cent higher than that of the previous year. Even though imports in the first three quarters of 1965 were running some 10 per cent higher than in the previous year, the country's total external reserves, as defined above, showed an improvement which, on the basis of preliminary data, is estimated at some £23 million over this period. Official holdings of foreign exchange (including those outside the banking system) recorded a decline of about £2 million from the end of 1964, but the net foreign assets position of the commercial banks improved by about £25 million.

During the second half of last year, wage increases ranging from 5-32 per cent were awarded in most occupations to workers earning less than £600 following the publication of the Morgan Commission report. The Commission was appointed by the Government in 1963 to review a wide range of questions affecting wages and working conditions in Nigeria. The available data on prices consist of cost of living indices for lower-income workers in certain large cities of Nigeria. These show relative stability in 1963 and 1964. An increase of 3-4 per cent in these indices was observed in the first half of 1965.