

GENERAL AGREEMENT ON

RESTRICTED

TARIFFS AND TRADE

BOP/300

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Limited Distribution

Committee on Balance-of-Payments Restrictions

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CONSULTATION WITH NIGERIA UNDER ARTICLE XVIII (12(b))

Statement by Nigeria under Simplified Procedures for Consultations

1. The trade liberalisation policy which came into force with the Structural Adjustment Programme has been maintained since 1986. Import restrictions have been relaxed. Furthermore, a number of export incentives have been put in place to encourage Nigerian entrepreneurs to explore off-shore markets, improve their competitiveness and boost export trade.

2. Nigeria's balance of payments grew from a deficit balance of US\$509.8 million in 1988 to a surplus of US\$1,185 million in 1989. This favourable development was largely a reflection of the current account surplus of US\$1,896.5 million recorded in 1989 compared with the deficit of US\$319.5 million of the preceding year. The capital account, on the other hand, showed a deficit of US\$824 million in 1989 compared with the surplus of US\$11.9 million recorded in 1988.

3. The following are policy measures implemented by Nigeria for the period 1989 and 1990. It is to be noted that pressure on the external sector eased substantially in 1989, reflecting in a substantial over-all surplus in the balance-of-payments:

4. Exchange Rate System The current inter-bank Foreign Exchange Market (IFEM) auction system was introduced in January 1989 to replace the autonomous and official segments of the foreign exchange market. The new auction system involves daily quotation of Naira exchange rates determined by using one or a combination of a number of factors. At the end of the first quarter of 1990, the Naira exchanged for one dollar at N7,9400. This compared with the Exchange rate of N7.6500 to US\$1.00 at the close of business on December 31, 1989 and the ruling rate of N5,3530 = US\$1.00 at the end of December, 1988.

5. Operations of Bureaux de Change In order to enlarge the scope of the official market for foreign exchange transactions, the government approved the establishment of bureaux de change in 1989 to be operated by private entrepreneurs with the specific objectives of :

- (a) enhance efficiency in macro-economic-management through more adequate statistical coverage of foreign exchange flows; and
- (b) improve fiscal efficiency.

Since their operation, the bureaux de change have maintained a fairly competitive exchange rate with the parallel market.

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6. Import Measures Since the introduction of the Structural Adjustment Programme, restrictive measures which tended to hinder imports have been extensively removed, in addition, most import levies have been abrogated. However, the following measures were retained in 1990:

- (a) Comprehensive Import Supervision Scheme (CISS) shall continue to operate for import transaction valued at US\$5,000.00 and above including those financed both off-shore sources and foreign currency domiciliary accounts.
- (b) the arrangement of assessment, collection and payment of import duty introduced in April 1988 will continue.
- (c) the validity of approved form "M" and the relative letter of credit shall not be extended more than once. The initial life of approved form "M" shall be 180 days and Authorised Dealers may grant extension for another 180 days.
- (d) the requirement that exporters open domiciliary accounts marked "Export Proceeds" into which all non-oil exports procedure are fully credited shall continue. Such export proceeds should be repatriated and credited to the "Export Proceeds" Domiciliary Account not later than 60 days from the date of shipment of goods.

7. Tenor of Bills of Exchange In order to forestall accommodation of arrears of principal interest on paid bills, effective from January 1, 1990, all bills of exchange except those in respect of imports of plants and machinery with deferred payments arrangement shall have a tenor of not more than 180 days from the date of shipment, that is bill of lading date, and payment of interest shall be limited only to the tenor of the bill.

8. Oil Bunkering With effect from January, 1990, oil bunkers are required to surrender 100 per cent of the foreign exchange proceeds of oil bunkering to the Central Bank of Nigeria for the Naira equivalent.

9. Non-Oil Export Supervision Scheme A scheme of non-oil exports supervision will be introduced to enforce quality control standards as well as issue quality standard certificates in respect of all non-oil exports from Nigeria.

10. Payment of Non-oil Exports In order to minimise the problem of low foreign exchange receipts from non-oil exports, effective from January 1990, all non-oil export transactions shall be done on the basis of confirmed and irrevocable letters of credit with a maturity of sixty days from the date of shipment.

11. Prohibited Imports The list of banned/prohibited imports has been reduced from 72 to 16. The list of prohibited goods includes wheat, maize and other grains. This is intended to encourage local production and/or national food security.

12. In conclusion, if on-going attempts at rescheduling a sizeable portion of due external debt obligations should be successful, and if stability in the international oil market can be maintained, the favourable development in the balance-of-payments would be sustained.