GENERAL AGREEMENT
ON TARIFFS AND TRADE

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Committee on Balance-of-Payments Restrictions

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1. *A general over-view of the economy*

The trade liberalization policy measures begun with the adoption of the Structural Adjustment Programme (SAP) in July 1986 continued to be reinforced. Specifically, the basic economic policy objectives during the last three years were:

(i) moderation of inflation;
(ii) reduction of pressures on the external sector with a view to achieving a viable balance-of-payments position, stabilizing the Naira exchange rate and building up adequate external reserves;
(iii) stimulation of private sector productive capacity and output; and
(iv) generation of employment.

The overall impact of the policy measures was generally satisfactory, with modest growth in domestic output recorded during the years. Available data showed that the Gross Domestic Product at 1984 factor cost increased by 5.2, 8.3 and 4.4 per cent in 1989, 1990 and 1991, respectively. Aggregate index of agricultural production increased by 4.8, 7.7 and 5.5 per cent, respectively, during the same period. Industrial production also increased by 9.4 and 11.1 in 1989 and 1990, respectively, while the index in 1991 rose by 7.9 per cent. Of this, the index of the output of the manufacturing sub-sector increased by 9.4, 17.1 and 7.8 per cent during the respective years, while mining output was up by 18.0, 5.4 and 7.4 per cent during the years under review.

Provisional information from the Federal Office of Statistics (FOS) indicated that the rate of inflation which was 50.5 per cent in 1989 and fell to 7.4 per cent at the end of 1990, rose to 13.0 per cent during the second half of 1991, due to increased aggregate demand and persistent depreciation of the Naira, with the concomitant increase in the cost of production.

2. *Balance of payments position and prospects*

At N5,235.4 million, Nigeria's balance of payments recorded a lower level of surplus in 1991 compared with the surpluses of N8,727.8 and N18,492.2 million in 1989 and 1990, respectively (see Table 1). This was largely due to a sharp decline in the surplus on the current account as a result of an upsurge in aggregate demand pressures which produced a large and sharp rise in imports, while growth in both oil and non-oil exports remained unimpressive. The recorded surplus of N19,233.1 million on this account was, therefore, a decline of 54.0 per cent from the level in 1990. The surplus on the capital account also narrowed from N46,954.9 million in 1990 to N34,777.2 million in 1991.

[1]Material provided by the authorities of Nigeria.

3. *External debt management*

External debt stock: As at the end of October 1991, the total outstanding external debt of Nigeria stood at US$17,792.84 million. Of this amount, debt owed to multilateral institutions was US$3,649.974 million while a total of US$5,988.537 million was owed to Paris Club. The rest consisted mostly of Promissory Notes and debt owed to non-Paris bilateral creditors.

External debt rescheduling: Between 1986 and now, Nigeria has successfully rescheduled debt totalling US$19.31 billion with the London and Paris Clubs creditors and obtained debt cancellation amounting to US$106.4 million from the governments of Canada and the United States of America. The latest agreement negotiated with the London club will enable Nigeria to buy-back about two per cent of the debt owed to commercial banks at a substantial discount, thus, reducing the debt stock by about US$3.27 billion. With respect to the Paris Club, bilateral agreements have been signed with ten of the sixteen creditor countries that signed the Agreed Minute of the Paris Club in January 1991, and action is being taken on the remaining outstanding agreements. The effect of the rescheduling exercises has been to reduce the annual debt service ratio from 44 per cent to 28.89 per cent in 1986; 42 per cent to 27.93 per cent in 1987; 36.33 per cent to 30 per cent in 1988; 39.5 per cent to 28 per cent in 1989; and 40.6 per cent to 30.4 per cent in 1990. Between January and August 1991, a total sum of N12.73 billion was expended on servicing public debts. This amount covered principal repayments of N3,644 billion, interest of N8.987 billion and sinking fund with interest of N103.34 million. Efforts are being made in 1992 to further reduce the debt burden.

Debt conversion programme

In 1988, Nigeria introduced the Debt Conversion Programme as one of the options for relieving our external debt burden. At the end of 1991, total external debt cancelled under the Programme amounted to US$624.0 million out of which US$293.7 million or 47 per cent of debt cancelled was earned as discounts. The success of the programme should be seen in terms of investment of the conversions proceeds in the productive sectors of the economy, thus, minimizing its potential inflationary impact.

4. *The Exchange Rate System*

The market-determined foreign exchange system adopted at the end of September 1986 continued with greater reinforcement so as to achieve its set aims, including efficient resource allocation and elimination of Naira over-valuation. While over-valuation had been eliminated, exchange rate instability continued to plague the value of the naira as a result of persistent pressures in the foreign exchange market (FEM). Various modifications were introduced into the method of exchange rate determination since the inception of FEM, including the use of the marginal price (the rate at which official funds supplied to the market is exhausted) and the Dutch auction (by which bidders/authorized dealers pay for foreign exchange at their quoted rates). In 1989, bureaux de change were licensed to serve dealers in small amounts of foreign exchange, in order to relieve the official market of some of the pressures.

In spite of these, the Naira continued to be under increased pressures arising from expansionary fiscal operations, speculative biddings of some foreign exchange dealers and other malpractice, like selling funds acquired in the official market in the parallel market. This resulted in persistent and serious deterioration in the value of the Naira in all the segments of FEM as well

as ever-widening margins between the official market and the bureaux de change/parallel market rates, leading to serious distortions in the economy. Producers/manufacturers and importers use the higher exchange rates of the parallel market and bureaux de change to fix the local prices of their products, which contributed to the higher rate of inflation in 1991. In the light of the above developments, substantial corrective actions were required to put a stop to the malpractice which have only benefited a few privileged individuals at the expense of the nation and its citizenry.

In view of these unhealthy developments and to ensure that the full objectives of FEM are achieved, the following measures were put into effect in 1992:

(i) the Central Bank of Nigeria (CBN) has discontinued the practice of allocating foreign exchange to banks on predetermined quotas;

(ii) banks are free to procure foreign exchange from any source and to sell such foreign exchange to clients on presentation of approved documents currently in use;

(iii) such banks are free to sell their foreign exchange at rates they like with no price controls, but subject to a maximum spread of 1 percent. Authorized dealers are required at all events to publish such rates, and the CBN shall note the rates for future sales to such dealers;

(iv) banks dealing in foreign exchange shall report such for statistical purposes to the CBN on the prescribed forms;

(v) borrowing money for the purpose of repatriating funds is prohibited and strict debt-equity ratios are enforced on all foreign investors in Nigeria. Accordingly, all banks are required to periodically furnish the CBN with relevant data on debt-equity ratios and all borrowings and related transactions by foreign companies on appropriate formats;

(vi) transactions on bills for collection, open accounts and such other modes of trade, other than imports under letters of credit are to be reviewed.

The implications of this reform are that the foreign exchange market is now an inter-bank market with the CBN as a participant, free to buy and to sell foreign exchange at the rate freely determined by all authorized dealers. The rates in the market would be freely determined by the banks directly executing the orders of their clients; and the CBN would influence the rates only by open market operations, that is, by buying and selling foreign exchange at the market rate.

5. *Import measures: 1989-1992*

The objectives of the measures introduced during the review period were promotion of trade through increased domestic production. In this regard, the focus was on encouraging local sourcing of industrial inputs as well as the importation of foreign inputs and facilities that were not available locally, in sufficient quantity.

In 1989, some measures were adopted to encourage local producers. These included:

(i) reduction of import duties on a number of intermediate products used in local

industries, such as battery parts (45.0 to 25.0 per cent), cold rolled and hot rolled sheets (20.0 to 10.0 per cent), etc.;

(ii) import duties on final locally produced goods such as syringes and needles were raised from 25.0 to 40.0 per cent. Other commodities also attracted higher duties such as mosquito repellant coils from 20.0 to 30.0 per cent;

(iii) furthermore, penalties were introduced for trade offenses including smuggling, transportation, storage, display and sale of prohibited items. The penalty was life imprisonment and seizure of the properties of smugglers.

In 1990, import duties on a number of products were increased. The products include (i) jewellery, 100-200 per cent; (ii) the toothbrush from 35.0 to 70.0 per cent; and (iii) the duty on automotive filler was increased rom 10 to 25 per cent. Also, some products were exempted from import duty such as importation under technical assistance programme and food-stuff ordinarily consumed by Africans and produced in a territory adjoining Nigeria as well as drugs and medicaments imported by the government.

In 1991, the government approved the following tariff amendments to stimulate domestic production:

(i) import duties on certain steel products were amended, including ingot (HS 7206.10 7206.90), from 10.0 per cent to 50.0 per cent, while the duty on metallurgical refractory bricks (HS 6902.00) was reduced from 25.0 per cent to zero per cent);

(ii) import duties on inputs for tyre manufacturing were reduced, including nylon tyre cord from 20.0 to 10.0 per cent, and copper-coated bead wire, from 30.0 to 15.0 per cent. Import duties on synthetic fibre and fish were also reduced;

(iii) a high import duty was, however, imposed on steel wire rope, from 20.0 to 30.0 per cent and paper manufacturers from 25.0 to 45.0 per cent.

A temporary import duty removal or reduction on many products encompassing such economic sectors as health, education, transport, agriculture and industry were announced in March 1992, and will last till December 1992. The duty-free items included:

(i) spare parts and completely knocked down (CKD) components for commercial and passenger vehicles;

(ii) spare parts and CKD components for all industrial machinery;

(iii) the customs duty rate for all cars will attract 20 per cent duty and will also be calculated on the selling price (ad valorem) rather than on cubic capacity rating;

(iv) duty rate on fully built commercial vehicle unites has been reduced from 15.0 to 5.0 per cent;

(v) for the health sector, individuals are now free to import and use drugs as prescribed by qualified doctors. The Essential Drug List under Decree 43 of 1989 will apply

only to the drug stocks of public sector hospitals. Governments will assist state and local governments to provide drugs in hospitals and reduce, or in some cases eliminate, import duties on health products;

(vi) tariff exemption on the importation of all types of cement, spare parts and raw materials used in the local production of cement.

The existing list of import and export prohibitions will continue to be under review and this exercise will be dictated by the national interest. The current list is attached as Annex I.

6. ***State trading***

The Nigerian Government does not engage in state trading. The former Nigerian National Supply Company was abolished even before the adoption of the Structural Adjustment Programme (SAP).

Table 1
Balance of payments - analytical statement
(N million)

Category	1989 [1] (1)	1990 [1] (2)	1991 [2] (3)
A. *CURRENT ACCOUNT*	-8,232.3	41,787.2	19,233.1
Merchandise	30,770.3	70,114.9	44,677.9
Export (f.o.b.)	57,971.2	109,886.1	121,533.7
Oil	(55,016.8)	(106,626.5)	(116,856.5)
Non-oil	(2,954.4)	(3,259.6)	(4,677.2)
Imports	-27,200.9	-39,771.2	-76,855.8
Oil	(-4,671.6)	(-6,073.1)	(5,272.2)
Non-oil	(-23,678.8)	(-33,698.1)	(71,583.6)
Services and Income	-24,714.0	(-28,998.3)	-39,314.4
Investment income (credit)	1,120.2	1,698.2	2,089.2
Interest on reserves	(1,120.2)	(1,698.2)	(2,089.2)
Others	-	-	-
Investment income (debit)	-18,739.0	-23,711.2	-26,033.1
Interest on loans	(-18,022.6)	(-22,622.5)	(24,218.8)
Others	(-716.4)	(-1,088.7)	(1,814.3)
Non-factor Services	-6,060.0	-6,985.3	15,370.5
Unrequited transfers (net)	1,140.8	670.6	13,869.6
B. *CAPITAL (EXCLUDING D AND E)*	30,221.9	-46,954.6	-34,777.2
Direct Investment	13,877.4	4,686.0	5,916.1
Portfolio Investment	-1,618.8	-1,088.5	-1,354.0
Other capital long-term	-24,226.5	-28,550.4	-30,679.5
Official (of which)	-24,096.0	-28,595.6	-30,679.5
Amortisation	(-25,343.6)	(-32,320.0)	-33,018.4
Disbursement	(1,247.6)	(3,724.4)	(2,338.9)
Other official	-	-	-
Private (Net)	-130.5	45.2	-
Other Capital short-term (net)	-18,254.0	-22,001.7	-8,659.8
Total (A and B)	21,989.6	-5,167.4	-15,544.1

Table 1 (cont'd)

Category	1989 [1] (1)	1990 [1] (2)	1991 [2] (3)
C. *NET ERRORS AND OMISSIONS*	1,003.9	-594.5	-976.7
Total (A,B and C)	-22,993.5	5,761.9	-16,520.8
D. *EXCEPTIONAL FINANCING*	31,721.3	24,260.1	21,756.2
(i) Promissory notes (arrears)	(-)	(-)	(-)
(ii) Deferred/Resch. Debt Service	(28,373.1)	(24,260.1)	(21,756.2)
(iii) Others	(3,348.8)	(-)	(-)
Total (A to D)	8,727.8	18,498.2	5,235.4
E. *CHANGE IN RESERVES* [3]	-8,727.98	-18,498.2	-5,235.4

1 Revised
2 Estimate
3 Minus (-) sign indicates increase in reserves. Plus (+) indicates decrease in reserves

Table 2
Visible trade 1988-1990
(N million)

ITEM	1989 (1)	1990 (2)	1991[1] (3)	Percentage change between (1) & (2) (4)	(2) & (3) (5)
IMPORTS	30,860.2	45,717.9	89,488.2	48.1	95.7
Oil sector	4,671.6	6,073.1	5,272.2	30.0	-13.2
Non-oil sector	26,188.6	39,644.8	84,216.0	51.4	112.4
EXPORTS	57,971.2	109,886.1	121,533.7	89.6	10.6
Oil sector	55,016.8	106,626.5	116,856.0	93.8	9.6
Non-oil sector	2,954.4	3,259.6	4,677.2	10.3	43.5
TOTAL TRADE	88,831.4	155,604.0	211,021.9	68.7	35.6
Oil sector	59,688.4	112,699.6	122,128.7	88.8	8.4
Non-oil sector	29,143.0	42,904.4	88,893.2	47.2	107.2
				Actual change (=N = million)	
BALANCE OF TRADE[2]	+27,111.0	+64,168.2	+32,045.5	+37,057.2	-32,122.7
Oil sector	+50,345.2	+100,553.4	+111,584.3	+50,208.2	+11,030.0
Non-oil sector	-23,234.2	-36,385.2	-79,538.8	-13,151.0	-43.0

1 Provisional.
2 Plus (+) = Surplus; Minus (-) = Deficit.

Table 3
Imports by major groups
(N million)

IMPORT GROUP	1989 (1)	1990 (2)	1991 (3)	Percentage of total 1989 (4)	1990 (5)	1991 (6)
CONSUMER GOODS	8,424.8	12,206.7	22,193.1	27.3	26.7	24.8
Durable	1,234.4	1,463.7	3,758.5	4.0	3.2	4.2
Non-durable	7,190.4	10,743.7	18,434.6	23.3	23.5	20.6
CAPITAL GOODS AND RAW MATERIALS	22,404.5	33,497.5	66,937.2	72.7	73.3	74.8
Capital goods	13,794.5	18,515.7	34,005.5	44.7	40.5	38.0
Raw materials	8,600.7	14,981.8	32,931.7	27.9	32.8	36.8
MISCELLANEOUS	9.3	13.7	357.9	0.03	0.03	0.4
TOTAL	30,838.6	45,717.9	89,488.2	100.0	100.0	100.0

Table 4
Imports by S.I.T.C. sections
(N million)

SECTIONS	1989 (1)	1990 (2)	1991 (3)	Percentage change between (1) & (2)	(2) & (3)
0 Food and live animals	2,005.9	3,763.5	7,785.5	87.6	106.9
1 Beverages and tobacco	154.3	181.4	179.0	17.6	-1.3
2 Crude materials	894.9	1,587.6	2,147.7	77.4	35.3
3 Mineral fuels	216.0	317.4	447.4	46.9	41.0
4 Animal and vegetable oils and fats	92.6	136.0	715.9	46.9	426.4
5 Chemicals	6,665.8	9,146.7	15,302.5	37.2	67.3
6 Manufactured goods	6,357.2	10,061.9	21,029.7	58.3	109.0
7 Machinery and transport equipment	13,208.2	18,618.9	36,774.5	41.0	102.3
8 Miscellaneous and manufactured articles	1,256.0	1,859.1	4,116.5	48.0	121.4
9 Miscellaneous transactions unclassified	9.3	45.4	89.5	388.2	97.1
TOTAL	30,860.2	45,717.9	89,488.2	48.1	95.7

Table 5
Direction of trade 1988-1991
(N million)

COUNTRIES	IMPORTS 1988	IMPORTS 1989	IMPORTS 1990	IMPORTS 1991*	EXPORTS 1988	EXPORTS 1989	EXPORTS 1990	EXPORTS 1991*
GRAND TOTALS	17,642.6	25,181.2	35,028.3	36,980.4	31,192.7	59,876.8	155,371.0	90,591.4
Total Africa	235.7	230.1	262.7	258.8	2,039.8	4,316.9	7,677.3	5,888.4
E.C.O.W.A.S.	147.5	163.8	103.5	147.9	1,736.0	3,141.7	3,460.7	5,163.7
Others	88.2	66.3	159.2	110.9	303.9	1,175.2	4,216.6	724.7
Total America	2,671.5	4,059.3	4,673.5	4,992.3	16,064.1	32,856.8	107,175.0	49,372.3
U.S.A.	1,852.5	3,097.5	3,005.7	3,217.3	14,337.6	31,403.0	53,459.0	47,016.9
Canada	75.3	131.7	146.9	147.9	456.9	119.9	213.3	362.4
Brazil	686.6	787.6	1,413.0	1,516.2	506.9	601.3	1,066.3	634.1
Others	57.1	42.5	107.9	110.9	762.7	732.6	52,436.3	1,358.9
Total Western Europe	10,470.7	15,852.6	23,132.5	23,445.6	12,633.6	22,067.9	39,345.9	32,703.5
Western Germany	2,698.2	4,356.1	5,180.8	5,510.1	2,104.5	2,453.6	4,371.8	3,170.7
United Kingdom	2,793.5	4,097.6	5,943.0	6,545.5	591.0	1,038.5	1,812.7	1,177.7
Netherlands	691.2	979.4	1,665.4	1,664.1	3,904.3	4,785.1	8,530.3	8,606.2
Italy	802.5	1,362.7	1,557.9	1,775.1	339.3	2,366.6	4,158.5	3,714.3
France	1,599.5	2,000.2	3,168.4	3,254.3	2,192.0	2,519.8	4,478.4	5,163.7
Spain	214.1	328.5	477.9	517.0	2,908.0	6,349.5	11,302.6	8,606.1
Others	1,671.7	2,728.1	5,139.1	4,178.8	594.5	2,554.8	4,691.6	2,264.8
Total Eastern Europe	818.6	574.8	365.6	924.5	60.4	68.5	106.6	181.2
Total Asia	3,144.7	4,386.1	6,488.8	6,841.4	202.7	557.3	959.7	543.6
Japan	1,314.4	1,707.8	2,069.1	2,144.9	37.4	133.3	213.3	+
Other countries in Asia	1,830.3	2,678.3	4,419.7	4,696.5	165.3	424.0	746.4	543.6
Other countries n.e.s.	301.4	78.3	105.2	517.8	192.1	9.4	106.5	1,902.4

* 1991 figures are for January - September only.

ANNEX I

LIST OF PROHIBITED ITEMS

I. IMPORTS

1. Live or dead poultry, that is, fowls, ducks, geese, turkeys, fowls excluding grand-parent and foundation stocks for research and multiplication purposes, eggs in the shell, including those for hatching.

2. Vegetables, including tomato purée and paste, roots and tubers, fresh or dried, whole or sliced, cut or powdered and sapo pitch.

3. Processed wood excluding wood in the rough, squared or half squared but not further manufactured and particle board; furniture and furniture products; wooden cabinets for radio and television sets.

4. Fruits, fresh or preserved and fruit juices.

5. Textile fabrics of all types and articles thereof excluding:

   (a) nylon tyre cord;
   (b) multifilament nylon chafe fabric and tracing cloth;
   (c) mattress tickings;
   (d) narrow fabric, trimmings and linings;
   (e) made-up fishing nets, mosquito netting materials;
   (f) gloves for industrial use;
   (g) canvas fabric for the manufacture of fan belts;
   (h) moulding caps and lacra, elastic bands and rotifs;
   (i) textile products and articles for technical uses;
   (j) transmission of conveyor belt or belting of textile material;
   (k) polypronylene primary backing material;
   (l) fibre rope product (HS Code 56.07).

6. Domestic articles and wares made of plastic materials including babies' feeding bottles.

7. Evian and similar waters, soft drinks and beverages, beer and stout, malt and barley.

8. Rice and rice products.

9. Maize and maize products.

10. Wheat and wheat products.

11. All sparkling wines including champagne.

12. Vegetable oils excluding linseed and castor oils used as industrial raw materials.

13. Aluminum sulphate including alum.

14. Retreaded and used tyres.

15. Branched alkyl benzene, bentenite and benytes.

II. EXPORT PROHIBITION

1. Raw hides and skin.

2. The following products or their derivatives:

   (a) Cassava tuber
   (b) Maize
   (c) Yam tuber
   (d) Beans
   (e) Rice

3. Timber (whether processed or not) and wood in the rough excluding furniture, furniture components and gmelina.