



PRESS RELEASE

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STRUCTURAL REFORMS AND INCREASED TRANSPARENCY NEEDED TO GENERATE TRADE AND GROWTH IN NIGERIA

Recent steps towards macroeconomic stabilization, and trade and investment liberalization must be supported by credible structural reforms if Nigeria is to regain international confidence and improve the standards of living of the population. A new WTO Secretariat report on Nigeria's trade policies and practices states that political and institutional uncertainty persist in Nigeria and that the weakening of the rule of law has discouraged foreign direct investment and trade flows outside the oil export sector. The WTO Secretariat report and a policy statement prepared by the government of Nigeria will provide the basis for a review of Nigeria's trade policies and practices on 23 and 24 June 1998.

The report states that Nigeria's economy remains highly vulnerable to fluctuations in oil prices and that the relatively dynamic oil export sector contrasts with sluggish growth in the rest of the economy. Crude oil represents over 95% of export receipts and over three quarters of government revenue. Nigeria's crude oil production is mostly carried out under joint-venture arrangements with multinational companies and is exported primarily to the Americas and Western Europe. Inappropriate policies have contributed to the rundown of the refineries and serious shortages of petroleum products in the domestic market.

The report notes that inefficient public companies have been supported by grants and other legal and commercial advantages, including those operating in telecommunications, electricity, petroleum refining, chemicals, coal and bitumen production and steel and aluminium production. Railways and the banking sector are emerging from near total collapse. These inefficiencies have, over time, seriously handicapped other sectors and imposed high costs on the economy. In contrast, the food, beverages and textile industries appear to have benefited from trade liberalization and the absence of government

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intervention. Private participation in maritime and air transport has also contributed to a certain degree of restructuring and modernization.

In order to improve the economic environment, Nigeria has since 1995 relied more closely on the market to allocate foreign exchange, and liberalized the foreign investment regime. Much needed foreign investment outside the oil sector is however unlikely to expand before Nigeria regularizes payments, including mounting arrears, on its external public debt with the Paris Club of official creditors.

A new seven-year tariff reform programme was also introduced in 1995, but tariff stability has been reduced by tariff changes made every year since. The report suggests that Nigeria would enhance its tariff predictability if it bound its tariffs closer to the applied rates. Currently, the applied duties average 23.5%, with some exceeding 100%. Nigeria has a 150% ceiling rate binding on all agricultural goods, whilst few tariffs are bound on industrial products.

Although recourse to quantitative restrictions on imports has been reduced, Nigeria still bans imports of such products as maize, sorghum, millet, wheat flour, vegetables and plastic articles. Nigeria also enforces a ban for health reasons on all types of meat. Import prohibitions have been the subject of several consultations in the Balance-of-Payments Committee of the WTO, which has repeatedly sought their elimination. Petroleum products are imported under import licences attributed exclusively to a public company.

Following complaints of inefficiency from the private sector, the Government has recognized the need to reform several trade-related activities such as customs, preshipment inspection (PSI), ports and clearing systems. So far, however, reforms have been uneven. PSI for example, has been eliminated for imports from several but not all countries. Illegal levies at the ports substantially increase the cost of importing and, consequently, a large share of Nigeria's external trade is conducted informally through ports in neighbouring countries.

A wide array of export incentive schemes has failed to offset the anti-export bias resulting from Nigeria's import regime, failing infrastructure and cumbersome export procedures that are designed more to ensure repatriation of export proceeds than facilitate exports. Recognizing that improvements in economic conditions, a precondition for export expansion, require a reduction in the dominant role of the public sector, the authorities have announced a privatization programme in 1998. In this context, legislation on competition policy may be needed to ensure that public enterprises are not merely replaced by private monopolies.

Concerns expressed during the last Trade Policy Review in 1991 about the enforcement of intellectual property rights in Nigeria persist, particularly in the patent and trade mark areas. In an effort to address those concerns, and combat fake, expired or otherwise dangerous products, the Government has amended the relevant statutes, established a special task force, and introduced import registration and licensing requirements.

The report concludes that Nigeria is currently at a crossroads in its economic and trade policies. While steps have been taken toward trade and investment liberalization and macroeconomic stabilization, policy priorities remain divided between dependence on the public sector and import substitution strategies on the one hand, and greater reliance on the private sector and market-based reform on the other. Moreover, recent steps to increase transparency and accountability in government, and thus combat allegations of fraud and corruption, must be pursued if international confidence in Nigeria's economy

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is to be regained. A rapid implementation of the WTO Agreements, full compliance with multilateral principles and increased transparency and accountability would signal Nigeria's commitment to a rules-based market economy.

Notes to Editors

The WTO's Secretariat's report, together with a policy statement prepared the Nigerian government, will be discussed by the WTO Trade Policy Review Body (TPRB) on 23 and 24 June 1998. The WTO's TPRB conducts a collective evaluation of the full range of trade policies and practices of each WTO member at regular periodic intervals and monitors significant trends and developments which may have an impact on the global trading system. The report, together with a report of the TPRB's discussion and of the Chairman's summing up, will be published in due course and will be available from the WTO Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.

The report covers the development of all aspects of each of Nigeria's trade policies, including domestic laws and regulations, the institutional framework, trade policies by measure and by sector. Since the WTO came into force, the "new areas" of services trade and trade-related aspects of intellectual property rights are also covered. Full reports are available for journalists from the WTO Secretariat on request. The full text of the WTO Secretariat report is also available for the press in the newsroom of the WTO website.

Since December 1989, the following reports have been completed: Argentina (1992), Australia (1989 & 1994), Austria (1992), Bangladesh (1992), Benin (1997), Bolivia (1993), Botswana (1998), Brazil (1992 & 1996), Cameroon (1995), Canada (1990, 1992, 1994 & 1996), Chile (1991 & 1997), Colombia (1990 & 1996), Costa Rica (1995), Côte d'Ivoire (1995), Cyprus (1997), the Czech Republic (1996), the Dominican Republic (1996), Egypt (1992), El Salvador (1996), the European Communities (1991, 1993, 1995 & 1997), Fiji (1997), Finland (1992), Ghana (1992), Hong Kong (1990 & 1994), Hungary (1991), Iceland (1994), India (1993 & 1998), Indonesia (1991 and 1994), Israel (1994), Japan (1990, 1992, 1995 & 1998), Kenya (1993), Korea, Rep. of (1992 & 1996), Lesotho (1998), Macau (1994), Malaysia (1993 & 1997), Mauritius (1995), Mexico (1993 & 1997), Morocco (1989 & 1996), New Zealand (1990 & 1996), Namibia (1998), Nigeria (1991), Norway (1991 & 1996), Pakistan (1995), Paraguay (1997), Peru (1994), the Philippines (1993), Poland (1993), Romania (1992), Senegal (1994), Singapore (1992 & 1996), Slovak Republic (1995), South Africa (1993 & 1998), Sri Lanka (1995), Swaziland (1998), Sweden (1990 & 1994), Switzerland (1991 & 1996), Thailand (1991 & 1995), Tunisia (1994), Turkey (1994), the United States (1989, 1992, 1994 & 1996), Uganda (1995), Uruguay (1992), Venezuela (1996), Zambia (1996) and Zimbabwe (1994).

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TRADE POLICY REVIEW BODY**NIGERIA****Report by the Secretariat - Summary Observations**

Since 1995, Nigeria's macroeconomic and trade policies have evolved in a generally positive manner, although implementation has been uneven. In the face of persistent political and institutional uncertainty, the growing international confidence in Nigeria's economy noted in the first Trade Policy Review of Nigeria in 1991 has ebbed. Attempts to use the country's large oil revenue to expand the economic base have been mostly unsuccessful; the economy remains highly vulnerable to fluctuations in oil prices, and large segments of the population are yet to see improvements in their living standards. GDP per capita is estimated at US\$370, however non-oil GDP per capita is only about US\$210.

The present military government has recently given priority to improving macroeconomic management, and re-launched efforts to liberalize the foreign exchange and investment regimes. Steps have also been taken to streamline Nigeria's trade regime and establish a long-term, predictable tariff structure. However, concerns remain about tariff changes and the use of quantitative restrictions. A wide array of export incentive schemes has failed to offset the anti-export bias resulting from the import regime, cumbersome export procedures, and failing infrastructure.

Economic Environment

Nigeria is Africa's most populous nation, endowed with abundant hydrocarbon resources and offering large potential opportunities for international trade and investment. During the 1990s, the commitment to structural reforms weakened and economic growth has slowed to an average of 2.5% a year in 1991-94 from 5.3% during 1986-90. After a period of stagflation up to 1994, growth increased and inflation declined, helped by a sound macro-economic policy stance and an increase in world oil prices until 1997.

Although fiscal policy has been tightened, resulting in budget surpluses in 1996 and 1997, the Government's heavy reliance on oil revenue continues. Crude petroleum represents over 95% of export receipts and over three quarters of government revenue. Efforts to maintain both economic growth and the fiscal balance could therefore be jeopardized by the current weakness in oil prices.

The high level of external public debt and the continuing accumulation of arrears remain important obstacles to much needed foreign investment outside the oil sector, notably in infrastructure. Resumption of external funding for new projects is largely conditional on the regularization of Nigeria's relations with the Paris Club of official creditors.

Since 1995, access to foreign exchange at close to market rates and the lifting of most restrictions on current and capital transfers have significantly improved the trade and investment environment. However, several foreign exchange documentary and approval requirements remain and have the potential to restrict imports. Eliminating those requirements, together with the unification of the exchange rates and full reliance on market forces for foreign exchange would provide a more secure business environment.

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In 1996, Nigeria was the 34th largest exporter and 43rd largest importer worldwide. Furthermore, it is the third largest trading nation in Africa. The long-term decline (since 1980) in its share of Africa's exports continued during the period 1991-96. Crude oil is the only significant recorded export, shipped mostly to the Americas and Western Europe. Nigeria appears to be also a sizeable exporter of refined oil products according to partners' import data. Among other exports, only cocoa beans, rubber, and cotton exceeded US\$10 million in 1996.

Between 1990 and 1996, Nigeria's import structure changed significantly, with the share of food and petroleum products returning to its level of the early 1980s. Petroleum products constitute a major import. The greatest falls in imports have been recorded in machinery, notably transport equipment, and clothing. The United States, the United Kingdom and Germany remained the three most important recorded sources of imports. This recorded trade, however, excludes prolific informal commerce with neighbouring countries.

Institutional Framework

The Federal Republic of Nigeria is currently governed by the Federal Military Government. Executive authority is vested in the Head of State and exercised in consultation with the Provisional Ruling Council. Legislative changes, including those concerning trade and investment, are made by decrees signed by the Head of State.

The stability and predictability of Nigeria's institutional framework remain major concerns. The current opaque constitutional arrangements and reliance on decrees have weakened the rule of law, increased the risk of doing business in Nigeria and, thus, discouraged investment and trade. Under a three-year programme of transition announced in October 1995, the Military Government is committed to transferring power to a civilian administration by October 1998, with presidential elections scheduled for August 1998. A Constitutional Conference established in 1994 has prepared a Draft Constitution, to be adopted by a National Assembly elected in April 1998.

Most restrictions on foreign investment and related payments have been abolished. The exceptions are those on mineral resources, which remain under the property and control of the State. Competition and privatization have recently been emphasized for trade in services, notably in telecommunications and financial services. The latter have been the subject of ambitious liberalization commitments under the GATS. However, most public companies remain supported by grants and other legal and commercial advantages that may discourage competing foreign direct investment.

Since 1995, the Government has created a number of committees to help formulate economic policy. In particular, the Vision 2010 Committee was set up in November 1996 to analyze why Nigeria's performance was far below potential and to develop a blueprint to realize such potential by 2010. The Committee concluded that improvements in economic conditions would require a reduction in the dominant role of the public sector in the economy, the development of a viable and dynamic private sector, and foreign investment, as well as economic stability and social justice.

In 1998, the Government announced a "Guided Privatization and Commercialization Policy" under which the Government would retain at most 40% of the equity in the privatized enterprises. Government monopolies in telecommunications, electricity, petroleum refining, chemicals, coal and bitumen production and tourism development would be privatized in the first phase of the programme. The effective implementation of that programme would help to attract foreign investment and improve

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the generally low level of efficiency in these sectors.

Nigeria became a founding Member of the WTO on 1 January 1995.

Trade policy instruments and their effects

Import liberalization undertaken in 1995 significantly reduced tariff rates and reliance on quantitative restrictions. Only ad valorem tariffs are used. Import duties consist of a basic rate of customs duty modified by an annually set rebate, plus a 7 % surcharge. Applied duties average 23.5 % on an unweighted basis in 1998, with some exceeding 100 %. The highest levels of duty are levied on consumer goods, with lower rates on intermediate and capital goods.

Import duties are subject to annual changes. Predictability would thus be enhanced by a more comprehensive binding of Nigeria's tariff at rates closer to those applied. Within the framework of the Uruguay Round, Nigeria undertook bindings for all agricultural products at ceiling rate of 150 %, plus a maximum 80 % for other duties and charges. Few industrial tariffs are bound (6.5 % of the total), also at high ceiling rates.

All excise duties levied on domestically produced goods were abolished in January 1998; their removal, without a similar adjustment to the tariffs levied on competing imports, substantially increased the level of effective protection on those goods. Since 1994, a 5 % value-added tax has been levied on most domestically produced and imported goods and services. This tax provided 6 % of government revenue in 1998. Nearly two thirds of VAT revenue is collected on imports.

Although since 1991 many items have been removed from the Import Prohibition List, prohibitions continue to distort trade patterns and stimulate smuggling activities, whilst depriving the Government of tariff revenue. Items removed from the Import Prohibition List included textiles and clothing, furniture, poultry, certain beverages and motor vehicles; other items have been added. The list currently includes maize, sorghum, millet, wheat flour, vegetable oils, bentonites, barytes, gypsum, kaolin, plastic articles, retreaded and used tyres, mosquito repellent coils and gaming machines. In addition, an Absolute Prohibition list covers weapons, certain spirits, obscene articles and second-hand clothing. According to the Federal Ministry of Agriculture, imports of all types of meat are also banned for health reasons.

Nigeria's import prohibitions have been the subject of many discussions since Nigeria first invoked GATT Article XVIII:B on restrictions for balance-of-payments reasons in 1982. The Committee on Balance-of-Payments Restrictions considered in 1996 that those prohibitions could not be justified under the BOP rules of GATT 1994. Nigeria at that time proposed the elimination of all such measures by early 1997. At the latest consultation in February 1998, covering prohibitions on maize, vegetable oils, barytes and bentonites, and plastic articles, Nigeria presented a five-year phase-out programme for remaining restrictions; however, the consultation closed without agreed conclusions, with Members stressing once again the inconsistency of the measures with WTO rules.

In March 1998, Nigeria notified the WTO Committee on Safeguards that the import prohibitions on wheat flour, sorghum, millet, gypsum and kaolin were in place for safeguard reasons. While undertaking to eliminate these measures as soon as possible, the Government requested a waiver with respect to the obligations of Article 12.7 of the Agreement on Safeguards of GATT 1994 (measures existing prior to the entry into force of the WTO Agreement).

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The multiplicity of import documents and of agencies involved has been recognized as an unnecessary complication for importers. Several agencies operating at the ports also appear to impede trade flows: the authorities estimate that illegal discharging levies increase the cost of imports by up to 45%. As a result, large volumes of trade are being diverted to neighbouring ports and a significant share of Nigeria's regional trade takes place on an informal basis. Reforms to address these problems have begun in areas such as customs and port clearance.

Following complaints from the private sector of inefficiency, the Government has reduced the number of countries for which preshipment inspection (PSI) of imports is required. Until PSI is eliminated for imports from all countries, however, import conditions will differ across trading partners. Elimination of PSI may reduce paperwork and import costs. More importantly, however, it will reinforce the importance of an accountable customs administration. In this regard, customs procedures are being computerized and the authorities announced in early 1998 the introduction of UNCTAD's Automatic System for Customs Data Entry (ASYCUDA).

Public procurement is of great importance both for trading partners and for the Nigerian economy, as about half of all public expenditure on goods and services is sourced in foreign markets. However, little information was available on the specific procurement regime in place.

Several incentives exist for the use of local raw materials, but their incidence appears to be relatively marginal. In contrast, the Drug Revolving Fund Scheme, recently established to achieve self-sufficiency in medical drug production, has encouraged sizeable domestic investments.

Exporters remain handicapped by cumbersome administrative procedures designed more to ensure the repatriation of export proceeds than to encourage export expansion. Most measures established in the late 1980s to promote export diversification appear to have produced few results; improvements in infrastructure would probably constitute a better means of fostering Nigeria's exports.

It would appear that no specific competition policy exists to ensure market efficiency, an important issue given the presence of several public monopolies. The establishment of strong pro-competition rules is necessary to ensure that the current privatization drive does not merely replace public with private monopolies.

Concerns expressed during the last Trade Policy Review about the enforcement of intellectual property rights in Nigeria persist, particularly in the patent and trade mark areas. In an effort to address those concerns, the Government amended the Counterfeit and Fake Drugs Act of 1990 and established a Federal Task Force on Counterfeit and Fake Drugs. Also to combat fake, expired or otherwise dangerous products, imports of food, beverages, tobacco, chemicals and pharmaceutical products have been made subject to stringent registration and licensing requirements.

Sectoral Policy Patterns

Nigeria continues to exhibit the features of a dual economy, with a relatively dynamic oil export sector contrasting with sluggish growth in the rest of the economy. Nigeria's crude oil production is mostly carried out under joint-venture arrangements with multinational companies. Exports are subject to licensing and to OPEC's production quotas. A host of policy instruments are applied to the downstream petroleum sector, including state trading, import licensing, exclusive import rights, administered pricing, as well as restrictions on foreign commercial presence and sizeable producer and consumer subsidies.

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As a result, there are serious shortages of petroleum products on the domestic market.

In contrast, relatively little direct government assistance has been provided to agricultural production and exports. Import prohibitions do cover some main staples, however. Furthermore, a variety of agricultural exports, of which Nigeria could become a significant exporter, have been or remain prohibited to encourage local processing or satisfy domestic demand. The lifting of the export ban on cassava tuber and products in 1996 was followed by a substantial increase in production, suggesting that the other prohibitions could be advantageously eliminated.

In the manufacturing sector, the food, beverages and textile industries appear to have benefited from trade liberalization and the absence of government intervention. In contrast, strong public sector involvement in capital-intensive industrial projects, including large ventures in steel and aluminium production, has been associated with construction delays, budget overruns, low capacity utilization, high costs, lack of working capital and, in many cases, plant closures.

Service activities have in general stagnated; railways and the banking sector are emerging from near total collapse. Telecommunications services have been dominated by inefficient public enterprises which, over time, have seriously handicapped other sectors that use those services as inputs. In contrast, private participation in maritime and air transport has contributed to a certain degree of restructuring and modernization.

Trade Policies and Trading Partners

Nigeria is currently at a crossroads in its economic and trade policies. Several steps have been taken recently towards closer integration in the world economy, including trade and investment liberalization as well as macroeconomic stabilization. However, policy priorities remain divided between dependence on the public sector and import substitution strategies, and greater reliance on the private sector and market-based. Moreover, recent steps to increase transparency and accountability in government, and thus combat allegations of fraud and corruption, must be pursued if international confidence in Nigeria's economy is to be regained. In this respect, a rapid implementation of the WTO Agreements and full compliance with multilateral principles would signal Nigeria's commitment to a rules-based market economy.

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TRADE POLICY REVIEW BODY
NIGERIA
Report by the Government

Since the last review in 1991, the driving force of economic policy has been to promote greater transparency and accountability in the economic management of the country. The central objective of this drive is to restore confidence in the Nigerian economy so as to stimulate both local and foreign investment.

Accordingly, Government as from 1994, introduced stringent fiscal measures aimed at curbing waste in public sector spending. Between 1986 and 1993 budget deficit rose steadily from 6% of GDP to well over 12%. However, as a result of fiscal prudence of Government the deficit was reduced from N 110 billion in 1993 to N87 billion in 1994 and to a modest surplus of N1.0 billion in 1995. The prudent fiscal management has since become a permanent feature of economic management In Nigeria.

To further enhance accountability and transparency, all Dedicated Accounts for funding priority projects were closed down in 1995 and the revenues transferred to the public treasury. Projects hitherto funded from Dedicated Accounts have been admitted properly into the budgetary process. Additionally, extra-budgetary expenses, largely funded from the CBN's Ways and Means Advances¹, have been curtailed.

These developments have had modest positive impacts on the Nigerian economy. GDP grew from 1.3% in 1994 to 2.2% in 1995. The 1996 and 1997 fiscal years recorded growth rates of 3.25% and 3.77% respectively, while the projected figure for 1998 is 8.0%. The agricultural, oil, building and construction, finance and insurance sectors have been the main contributors to the growth of CWDP. The manufacturing sector remains a major problem, with growth in this sector declining from 1.02% in 1996 to 0.72% in 1997. The implications of poor performance of the manufacturing sector for the growth of the economy and for expansion of non-traditional exports is a major concern to Government.

Informal sector statistics are hard to assemble and to analyse, but this sector, Government must admit, has a staying power beyond the confines of public policy measures. It has provided succour to many Nigerian families in times of economic crisis. The sector is dominant and important, not in terms of incomes, but in terms of employment and relevance for survival.

Trade policy focus

The overall objective of Nigeria's trade policy is to diversify the country's export base and to continue to liberalise the import trade. Export diversification strategy is multi-dimensional in terms of promoting the traditional non-oil exports of cocoa, rubber and palm produce and the non-traditional exports namely, manufactures which emphasise value added to export production. The Import policy on the other hand has seen progressive liberalisation since the last trade review in 1991. Besides the WTO agreements to which Nigeria is a signatory and ECOWAS in which Nigeria is a dominant partner, three other factors which influence Nigeria's trade policy are the desire to promote non-traditional

¹Ways and Means Advances of the CBN are limited to 12.5% of recurrent revenue of the fiscal year and must be retired at the end of the fiscal year.

(value-added) exports, the need to integrate the informal trade into the mainstream formal trading activities, and the reaction of Nigeria's neighbours to her trade policies.

Under the policy of "guided de-regulation", Nigeria attempts to pursue a balanced policy of encouraging non-oil export promotion and graduated import-liberalization without encouraging the growth and expansion of the informal trade.

Liberalisation measures

Nigeria, since the last trade review has continued to introduce and/or strengthen trade liberalization measures aimed at stimulating production, promote competition and efficiency and thus help to reduce the cost of doing business. These measures are helping, generally, to increase international confidence in the economy. Some of the measures taken by Nigeria since 1991 are in the following areas:

Investment Policy

In 1995, the Nigerian Investment Promotion Commission (NIPC) was established through Decree 16 of 1995. NIPC absorbs and replaces the Industrial Development Co-ordinating Committee (IDCC). NIPC provides for a foreign investor to set up a business in Nigeria with 100% ownership. Before the NIPC, foreign equity participation in Nigerian businesses was limited to 40%. On the provision of relevant documents, NIPC will approve the application within 14 days (as opposed to 4 weeks under IDCC) or advise the applicant otherwise. The applicant will then register the new company with the Corporate Affairs Commission (CAC) in accordance with the provisions of the Companies and Allied Matters Decree of 1990. The new company will finally register with the NIPC as a foreign enterprise for completeness of record. This procedure allows NIPC to determine how many of the approved applications actually got registered as business enterprises in Nigeria. NIPC also eliminates the need to apply to the Ministry of Finance for "approval-in-principle". Under the NIPC, foreign investment is guaranteed against nationalisation or expropriation by Government. Compulsory ceding of shares by an existing holder to another person, as for example, under the Indigenisation Decree of 1972, is not allowed. Foreign companies are free to invest in any sector of the economy except for sectors in the "negative list", which is currently under review to give greater scope to foreign investment in key sectors of the economy. (See Section III(ii) below).

Consistent with the NIPC, the Foreign Exchange (Monitoring and Miscellaneous Provisions) Decree No 17 of 1995 was promulgated to enable foreigners invest in enterprises in Nigeria or money market instruments with foreign capital which is legally brought into the country. The decree permits free repatriation of dividends accruing from such investment or of capital in event of sale or liquidation.

Tariff Measures

New Customs and Tariff rates covering the period 1995-2001 were introduced in 1995. In the 1995 tariff review, the tariff range was reduced by 50% from 0-300% to 0-150%. The 1995-2001 tariff structure is designed to stimulate competition and efficiency by reducing tariffs on consumer items relative to tariffs on raw materials and intermediate and capital goods. The reduction of tariff on final consumer goods will expose domestic manufacturers to import competition while the relatively higher tariffs on raw materials will attract investment into raw material and intermediate goods production.

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Fertilizer Policy

Trade in fertilizer has been liberalised with effect from 1997. Private importers are now free to import fertilizer and sell in the open market in competition with the local producer(s) and blenders. In addition, with effect from January 1, 1998 import duties on fertilizers have been reduced from 10% to 5%.

Interest Rate Policy

Interest rates were deregulated in October 1996. Before the deregulation, the rates were fixed at 13.5% and 21% for deposits and lending respectively, with a spread of 7.5%. With the deregulation, the rates crashed to as low as 2% for deposits and 16% for lending. Currently deposit (savings) rates range between 4% to 12.5% while average lending rates vary between 18% and 20%, thus giving a much wider spread than before the deregulation. Bank depositors are thereby placed at a disadvantage. In order to ensure a more competitive banking environment, and attractive yields on financial instruments including savings, investment in treasury securities will from 1998 be made more attractive to the non-bank public through higher yields, low transaction costs and publicity campaigns. The provision of such market regulated alternative to bank deposit will help to engender more competitive deposit rates in the banking system and thus reduce the wide spread between the two rates.

Import liberalisation

The list of items removed from import prohibition list continues to lengthen. Rice, which is fast becoming a staple food in Nigeria was removed from the import prohibition list in 1995. Similarly, meat, fish, vegetable, fruits and fruit juice can now be imported into the country.

With effect from January 1, 1998, live or frozen poultry, beer and stout, barley and malt as well as mineral find similar waters have been removed from the import prohibition list. As already stated above, the fertilizer trade has been fully liberalised.

Also with effect from 1998 fiscal year, second hand vehicles (locally known as "Tokunbo") and motor-cycles can now be imported into Nigeria at the appropriate duties.

17. Finally, necessary steps are being taken by Government to comprehensively eliminate all existing items on the Import Prohibition List as soon as possible.

Guided privatisation

Government defines guided privatisation as "a carefully planned and systematically implemented programme of government withdrawal from the control of business enterprises which can be more effectively and efficiently run by private sector operators". Competitive privatisation will be encouraged in order to stimulate new investment and give the consumer an opportunity for a choice. The import of this policy is that sectors previously closed to private sector participation, such as petroleum refining, are being removed from the negative list for private sector investment. With respect to existing public sector investment, Government's desire is to ensure effective and efficient management of the public enterprises so that the nation can get maximum benefits from the resources so committed.

In order to ensure that the privatisation exercise achieves its desired objectives, Government will, in 1998, set up a National Committee of Experts on Privatisation to be chaired by the Head of

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State, to among other things examine and implement all aspects of the privatisation programme.

Administrative and legal reform measures

The major objective of these reforms is to reduce transaction and business costs, provide a level playing field for investors, stimulate confidence in the economy and encourage competition and efficiency to the benefit of the consumer.

Customs and port reforms

Nigerian Ports had been extremely/highly congested in the past. Goods were cleared at the ports without the required Import Duty Report (IDR) and genuine importers experienced long delays in the clearance of their goods. Customs Service was ill-equipped to handle the Ports. The result was that Government lost substantial amounts of revenue. By the end of 1995 it was estimated that Government lost about N8 billion as a result of malpractices at the Ports.

Following these developments, Government from June 1995, Introduced a number of reform measures. From this date, importers were required to pay customs duties through any of six designated banks. In 1996 the "Ports Related Offenses etc, Decree 1996 was promulgated and a task force on sea-port security to streamline the activities of the security agencies at the ports and to clear undesirable elements at the Ports was established. Identity cards are now worn by every person entering the Nigerian Ports; Magistrate Courts are also established at the Ports to try violators of Port rules and regulations. As a result of these measures import duty collected rose from N39.00 billion in 1995 to N55 billion in 1996.

The attempt at a speedy clearance of goods within 48 hours has however, not been successful. In consequence, Government has introduced the 24 hours round the clock service at the Ports. The operations of the Nigerian Customs Service as well as documentation procedures are also being computerised with effect from 1998. The valuation data base within the Customs, using the Automatic System for Customs Data Entry (ASYCUDA) is being introduced to correctly assess import duties. In addition, the X-ray Scanning Inspection System is being installed at Apapa and Tin Can Island Ports. Port-Harcourt, Calabar- and Warri Ports will have the X-ray Scanning System in 1999.

In addition, to facilitating speed-operation at the Ports, the scanners will permit security verification by different security agencies to be carried out at one spot rather than the time consuming practice of carrying out the examination at different times. With the introduction of the Scanning System, the need for physical inspection of imports will be greatly reduced.

The introduction of the ASYCUDA, is expected to replace pre-shipment inspection once it is fully operational. In the meantime pre-shipment inspection is reinstated pending the effective take-off of the ASYCUDA.

Review of laws inhibiting competition in key sectors of the economy

A number of changes in legislation designed to liberalise the economy through, in particular, the elimination of monopolies have been put in place and/or planned for implementation in 1998.

In the Petroleum Sector, the Petroleum Act (Cap. 350 LFN 1990) will be reviewed with

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particular. reference to sections that permit only Nigerians to be granted licenses and leases, and the power of the Minister to revoke the lease or license of foreign investors. Similarly, relevant sections of the Minerals Act (Cap 226 LFN 1990) will be reviewed to encourage foreign investment in the solid minerals sector. Section(s) of the Nigerian Coal Corporation Act which contain restrictions on granting rights; licenses leases, under the Minerals Act will be amended to allow private investors, both local and foreign, to prospect for coal. This is part of the strategy for competitive privatisation.

Similarly, reviews are being undertaken in respect of National Electric Power Authority (NEPA) and Nigeria's Telecommunications Limited (NITEL) in order to break their monopoly as well as protect the consumer. In 1998, NITEL will be privatised while NEPA will be reorganised and prepared for privatisation.

Capital market reforms

As a result of extensive consultations and in-depth studies of the Report of the Panel on the Review of the Nigerian Capital Market, Government has adopted measures designed to reform and internationalise the Nigerian Capital Market. These measures include inter alia:

- the provision of new Capital Market Infrastructures to facilitate among other things the adoption of a screen-based trading system in lieu of the existing call over system, the setting up of a Central Depository Corporation and Independent Clearing Corporations;
- the establishment of a Stock Exchange in Abuja and Capital Trade Points in designated locations in the country;
- the Provision of a framework for the establishment of Options, Futures and Commodities Exchanges;
- the development of a National Unit Trust Scheme which would, among other things, assist in fund mobilization and give the rural community the opportunity of participating in the equity market including privatisation issues;
- the establishment of an Investment Service Tribunal to speedily try Capital Market disputes;
- manpower training and development and the establishment of Capital Trade Associations.

A new legal framework which provides, among others, for the registration and regulation of the investments and securities business in Nigeria is also being put in place. To that end, the draft Nigerian Capital Market Investment and Securities Decree will be promulgated before the end of this year.

Tax reform

Businesses were, up till 1996, subjected to multiple taxes by the three tiers of Government. In response to this and some other related problems, the Value-Added Tax (VAT) was introduced in 1994 to replace sales tax and fees for the registration of business premises which were charged by State and Local Governments. The problem still persists, nonetheless and it has become a major obstacle to internal (inter-state) trade. As a result, Government, in 1997, directed the Joint Tax Board (JTB) to publish the approved list of taxes and levies which are to be collected by every tier of Government. This approved list which will be enacted into the tax law in 1998, will eliminate the problem of multiple taxes and levies by States and Local Government, hence facilitate interstate trade flows.

Similarly, in order to encourage investment and to boost the capital market, government has, with effect from 1st January, 1998, exempted stocks and shares of every description from the list of chargeable assets liable to capital gains tax.

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Bilateral Double Taxation Agreement

The Double Taxation Agreement (DTA) was signed with the Philippines in September 1997, while agreement with Poland has been concluded, and negotiation with Turkey is in progress. Government will pursue negotiations and conclusion of tax treaties with Russia, India and Korea in 1998.

Export incentives

The focus of fiscal policy in relation to exports has been to diversify the country's export base through the promotion of non-oil value-added exports. Existing export incentive schemes include the duty draw-back scheme, export expansion grant and manufacture in-bond schemes. In 1996, Government introduced export pre-shipment inspection by private companies to complement the functions of the Federal Produce Inspection Service. The objectives are to ensure that the dwindling quality of Nigeria's traditional exports is improved upon and that both quantity and value of exports are properly recorded in order to ensure appropriate repatriation of export proceeds.

The Calabar EPZ is a new export production facility with its own utilities to facilitate efficient production. Established in 1992, the EPZ Calabar is already in operation and the Government of Nigeria has notified WTO of the exemption from the payment of income tax under the EPZ law. The inland city of Kano has also identified as another site for the EPZ and construction work is now in progress. In fact, with effect from 1996, factories operating outside the export processing zones can apply and be granted export processing status and incentives in any part of the country. The Aluminium Smelting Company (ALSCON) in Akwa-Ibom State has been granted such status since. There is also the "Onne/Ikpokiri" Oil and Gas Free Zone serving specifically the needs of the oil industry in Nigeria.

Located in the heart of the Gulf of Guinea, the Onne/Ikpokiri Oil and Gas Free Zone aims to enable Nigeria become a central logistic point for the oil and gas industry in West Africa. Established by the Oil and Gas Export Free Zone Decree No. 8 of March 1996, the zone is expected to create tremendous opportunities for investors in the oil and gas sector.

Multilateral and regional agreements

Nigeria ratified the WTO Agreement in December 1994 and thus became a founding member of the WTO in January 1995. The country is very concerned about the growing consensus, especially among the developed countries, for another round of negotiations to commence by the year 2000. The WTO Agreements, unlike the GATT, have been accepted as a single undertaking, and there is need for members to fully understand the gamut of the provisions related to their rights and obligations. In addition, it has also become necessary to allow time to develop the appropriate institutional and regulatory capacity for implementation.

In that regard, Nigeria is in favour of efforts aimed at ensuring that the Uruguay Round Agreements are first fully understood and implemented before new negotiations. In the immediate, Nigeria requires technical assistance from the WTO and the developed countries to work on realigning its domestic regulations with the various requirements of the WTO Agreements, and to develop the human capacity and strengthen relevant institutions which are necessary for the successful implementation of the Agreements.

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Nigeria is also a founding member of ECOWAS. Under the ECOWAS Trade Liberalisation Scheme (TLS), there are about 160 participating companies and 354 products of which Nigeria accounts for about 50% and 53% respectively. The success of the TLS is hampered by the high volume of informal trade among member States and by the failure of the ECOWAS members to pay their dues. Nigeria is among the very few members whose payment of dues is up-to-date, and in 1997, Nigeria made available \$7 million to the ECOWAS to assist it relocate its headquarters from Lagos to Abuja. In fact, at the present, Nigeria is about the only member contributing to the Compensation Fund which was established to facilitate the full implementation of the TLS. Nigeria is therefore very much committed to ECOWAS, but the organisation also needs technical assistance from both bilateral donors and other relevant international organisations, particularly the WTO to carry its programme through.

Nigeria also has bilateral trade agreements with a number of countries including Turkey, Zimbabwe, Benin, Bulgaria, Jamaica, Niger, Romania, Equatorial Guinea and Uganda.

New initiatives

Following the Liberalisation programmes initiated under SAP, the Marketing Boards were scrapped. Government has taken steps to introduce a Commodity Exchange and Futures Market (COMEX) to fill the vacuum. The ground work for the COMEX has been completed and the enabling Decree on COMEX which has been drafted, will soon be enacted into law.

Similarly, Nigeria, in 1992, promulgated a decree for the operation of Export Processing Zones (EPZ). The first of such EPZ is ready in Calabar.

In order to ensure greater transparency and accountability for existing Government enterprises which are not covered by the provisions of the Companies and Allied Matters Decree No 1 of 1990, Government has signed into law the Public Enterprise Regulatory Decree No 35 of 1996. The central objective of this decree is to, in the absence of formal incorporation, regulate and supervise the operations of public enterprises with a view to enhancing transparency and accountability. Many of these enterprises have not had their accounts audited in more than five years. The decree, otherwise known as "Failed Contracts" Decree will instil discipline in the management of the affected enterprises and help to move them towards economic viability and financial solvency.

Finally, to provide for long-term perspective on economic development, Government has introduced a market-oriented economic development programme to the year 2010 known as "Vision 2010". The Vision 2010, which was submitted to Government in September 1997, has since been adopted and its implementation has been made part of the 1998 budget.

The Vision is intended to serve as a "compass" to guide the collective economic and political actions of Nigeria to achieve set targets by the year 2010. Crucial to the success of Vision 2010 is a programmed share of responsibilities between the public and private sectors of the economy. Government is expected to devote resources to the creation of an enabling environment, the provision of infrastructure, the development of human capital, the formulation and implementation of stable and consistent economic policies and effective and transparent governance in order to stimulate private sector savings and investment. GDP is expected to grow steadily from 6 to 10% per annum during this period.

To ensure that top level attention is paid to Vision 2010, a National Council on Nigerian Vision

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(NCNV) chaired by the Head of State, is now in place for the implementation of the programme.

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