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TRADE POLICY REVIEW

REPORT BY

NIGERIA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Nigeria is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Nigeria.

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1 INTRODUCTION

1.1. Since the last trade policy review in 2011, there have been significant changes in Nigeria's economic and trade policies and in the political environment also. The country recorded a successful transition from one civilian government administration to another through a peaceful democratic election. The economy was re-based in 2013, following which the country emerged as the number one economy in Africa. In 2014, commodity prices collapsed, ending the commodity super-cycle. With a 60% drop in revenue, the economy entered a recession in 2016. Overall, although there are challenges, the foundations for structural transformation of the economy have been set with the "Economic Recovery and Growth Plan" (ERGP), a medium-term plan for the period 2017 to 2020. This ERGP was launched by President Buhari on 5 April 2017.

1.2. In the context of the ERGP, the Plan for *"Diversification and Growth"* by the Federal Ministry of Industry, Trade and Investment ("The MITI Plan") is being implemented. The MITI Plan is focused on industry, trade and investment. In the framework of strong and steady improvements in governance, the rule of law and policy reforms, inclusive growth policies are being implemented, accompanied by concrete efforts to improve coherence in monetary, fiscal and structural reform policies, including trade. This policy direction places Nigeria and its economy in the right direction. In concluding Nigeria's 2017 Article IV Consultations, in March 2017, the Executive Board welcomed the authorities' Economic Recovery and Growth Plan (ERGP). It noted the focus on economic diversification driven by the private sector, and government initiatives to strengthen infrastructure - including the recently adopted power sector recovery plan. However, the Board underlined that without stronger policies these objectives may not be achieved[1]. Nigeria welcomes this advice.

1.3. The foundation for domestic stability is based on democratic government, rule of law, transparency, responsible and accountable government and domestic policy reforms for inclusive growth in a market economy. These principles and policies provide a platform for competitive integration into the regional and global economy. In 2015, the Government of President Goodluck Jonathan lost the election and accepted the results. Mr. Muhammadu Buhari was installed as the President of the Federal Republic of Nigeria, on the 29 May 2015 for a 4-year term. President Buhari's Administration was elected on the platform of change and is committed to good governance, the fight against corruption, inclusive growth for poverty alleviation, and, maintaining peace and security. Specifically, areas of commitments include improvements in the socio-economic situation through access to electricity, water, education, health facilities and social amenities. A key priority of policy is the creation of jobs and the expansion of employment opportunities in-country.

1.4. In the period under review, a strategic priority in economic policy was structural transformation to diversify, industrialize and modernize the Nigerian economy in order to urgently address the vulnerability of dependence on oil revenues for growth. In this context, a number of exogenous and endogenous factors shaped the economic landscape and would be important in understanding future economic policy directions of Nigeria. Currently, the Nigerian economy is in economic recession, due, mainly, to the fall in commodity prices especially crude petroleum price and dependence on oil receipts. The economy was also affected by the reduced imports of crude oil by some of Nigeria's major trading partners since 2013 and the expansion of sources of energy into other areas such as shale, oil sands, etc. Domestically, the effects of restiveness in the Niger Delta, resulting from longstanding neglect and governance questions, resulted in disruptions of economic activities including crude oil and gas production. The recent dialogue initiated in 2017 by the Vice President of the Federal Republic of Nigeria in the Niger Delta has had positive results with regard to a gradual return to normalcy and stability in the region.

1.5. Notwithstanding the change in the structure of the economy, the oil sector accounts for just 10% of Nigeria's GDP, but still plays a central role in the economy; accounting for over 90% of the country's exports and 80% of government revenue. This dominant role, coupled with the management of oil revenue during periods of windfall, with insufficient savings and low levels of investment in infrastructure, had a negative impact economy-wide. The economy experienced the Dutch disease phenomenon. The oil sector effectively depressed other productive sectors including

[1] http://www.imf.org/en/News/Articles/2017/03/30/pr17105-nigeria-imf-executive-board-concludes-2017-article-iv-consultation: IMF Executive Board Concludes 2017 Article IV Consultation with Nigeria.

agriculture and manufacturing, thus, exposing the country to volatility in the international oil market accompanied by de-industrialization.

1.6. The contraction of the economy registered – 1.5% in 2016 accompanied by an 18.6% rate of inflation. Recession and inflation have combined to create an adverse effect on domestic conditions and have complicated the policy environment. The challenge for economic policy makers in the current administration is to restore robust and sustained inclusive growth in the Nigerian economy so as to enhance welfare, reduce poverty and accelerate job creation in the context of a 2.8% population growth rate. In this context, the Government has prepared the Economic Recovery and Growth Plan (ERGP), a 4-year Medium Term Plan (2017-2020). The strategic goals of the ERGP are: (1) restoring growth, (2) investing in people, and (3) building a globally competitive economy. Trade is one of the main growth enablers of the plan. It is in this context that the Federal Ministry of Industry, Trade and Investment is developing and implementing the Plan for Diversification and Growth; still work in progress.

2 ECONOMIC ENVIRONMENT

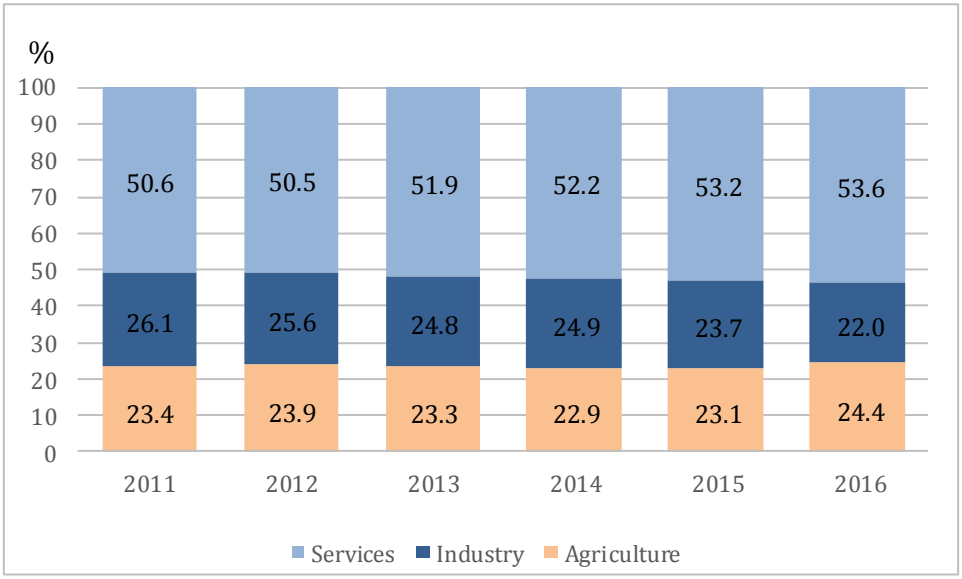
2.1 Growth Performance

2.1. Nigeria achieved impressive economic growth over the 2010-2015 period, with an average real GDP growth of 4.8%. The non-oil sector, which grew by 6.2% per annum on average over this period, has been responsible for the growth performance, accounting for 90% of total GDP. The oil sector, however, contracted as it recorded -4.5% on average per annum over the same period.

2.2. Annual real gross domestic output (GDP) of Nigeria increased from about ₦54.6 trillion in 2010 to about ₦67.2 trillion in 2014, with an average growth rate of 5.31% over the period. On a quarterly basis, real GDP growth rate in 2011 was high at 6.89% recorded in the first quarter, but growth performance fell to 3.60% and 4.69% achieved in the third and fourth quarters of the year respectively. In the subsequent years, real GDP growth fluctuated between the first quarter of 2012 and the fourth quarter of 2015 with a peak of 6.8% in the fourth quarter of 2013. Following the crash in the international oil price, economic growth in the country took a downturn, beginning from the third quarter of 2014, plunging into negative growth of -0.36%, -2.06%, -2.24 and -1.30% in the first, second, third and fourth quarters of 2016 respectively in real terms. The Nigerian economy is, however, projected by the International Monetary Fund (IMF) to come out of the recession in 2017 with a growth rate 0.6%.

2.3. Inflation rate was maintained at single digit between the second quarter of 2013 and fourth quarter of 2015 after falling from 14.8% recorded in the first quarter of 2010. It rose steadily from its lowest rate of 7.8% in the first quarter of 2014 to reach a level of 18.6% by the end of 2016. The persistent high inflation rate is as a result of a currency crisis based on a shortage of foreign exchange, because of the collapse of oil prices. High inflation rates reduced foreign earnings and supply constraints led to high interest rates and, as a consequence, increased costs for business. A mix of monetary, fiscal and structural reform measures have been taken to address these challenges in the immediate, medium and long-term. Implementation is being intensified. Well before the Article IV recommendations of the IMF, it is recognized that bold measures are required to ensure robust and sustained growth.

Chart 2.1 Sectoral Contributions to GDP, 2011-2016 (constant prices)



Source: National Bureau of Statistics

2.4. The rebasing exercise revealed that the services sector was the largest component of GDP. In 2011, the services sector accounted for 50.6% of GDP, compared to 26.1% accounted for by industry, and 23.4% accounted for by agriculture. Between 2011 and 2016, services continued to increase its share of GDP, and by 2016, its share had risen to 53.6%. The share of agriculture remained relatively stable; by 2016 the share had increased to 24.4%.

2.5. By contrast, the contribution of industry to GDP fell by approximately 4.1 percentage points, from 26.1% in 2011 to 22.1% in 2016. However, this was not because the size of the industry sector declined over this period, but because it grew less rapidly than services or agriculture. The main reason for this was the oil sector, which is included under industry. Over this period, output in the oil sector fell by 50% in nominal terms, and 33% in real terms. Manufacturing however, grew at roughly the same rate as services in nominal terms, at 97%, and in real terms grew by 49% of the same period, compared to 25% for services.

2.2 Trade Performance

2.6. Nigeria's export was consistently dominated by oil during 2010-2016. Beginning from a peak of about ₦14.3 trillion in 2011, oil export has continued to fall in the subsequent years, and it was about ₦8.2 trillion in 2015 and ₦6.1 trillion at the end of third quarter of 2016. In the case of non-oil export, it rose from about ₦711 billion in 2010 to a maximum of ₦1.1 trillion in 2013 before falling to approximately ₦660.7 billion in 2015 and ₦477.5 billion at the third quarter of 2016. Unlike export, import is dominated by non-oil commodities whose value was higher than that of oil by almost 450% in 2015. Thus, import of non-oil commodities rose from about ₦6.4 trillion in 2010 to about ₦9.4 trillion in 2015 despite the slight decrease that occurred in 2012. However, by the third quarter of 2016, non-oil import stood at about ₦4.98 trillion. Import of refined petroleum products however rose initially from about ₦1.7 trillion in 2010 to about ₦3.1 trillion in 2012, but fell continuously to settle at ₦1.7 trillion in 2015 and ₦1.54 trillion at the end of the third quarter of 2016. The instability in import and export is also reflected in total trade which stood at about ₦20.2 trillion in 2010, but fell marginally to about ₦19.0 trillion in 2015 and 2016 after revolving around ₦23 trillion and ₦26 trillion between 2011 and 2014. Between 2010 and 2016, over 70% of Nigeria's imports consisted of non-oil items, while oil constituted over 90% of export.

2.7. In employment, 20.1% (or the equivalent of 13.8 million people) in the Nigerian workforce is engaged in trading. Specific to Nigerian foreign trade, the National Bureau of Statistics (NBS) estimates that exports and imports (distinct from domestic trade) support 13% of total trading jobs or 1.8 million jobs; representing 2% of the entire working population.

2.3 Balance of Payment, Foreign Reserves and Exchange Rate

2.8. According to the Central Bank of Nigeria (CBN), following an initial fall from about ₦2.0 trillion in 2010 to ₦1.6 trillion in 2011, Nigeria's current account position improved to about ₦3.0 trillion in 2013.[2] Subsequently, the current account fell to register a deficit of about ₦3.0trillion in 2015 but moved to a surplus of about ₦136.8 billion at the end of third quarter of 2016. Capital and financial accounts recorded a surplus in 2010, 2013 and 2014 (of ₦0.3 trillion, ₦1.2 trillion and ₦1.9 trillion respectively), but deficits in 2011, 2012 and 2015, (of ₦0.8 trillion, ₦1.9 trillion and ₦0.2 trillion respectively), with a high deficit and surplus of about ₦1.9 trillion each in 2012 and 2014 respectively. By the end of the third quarter of 2016, the capital and financial account recorded a net balance of about ₦1.66 trillion. Thus, the Nigerian balance of payment position remained in surplus between 2010 and 2014 but reflected a deficit in 2015. However, the balance of payment maintained a surplus of about ₦1.8 trillion at the end of the fourth quarter of 2016.

2.9. The instability in Nigeria's trade and balance of payments is also evident in its foreign reserves. Nigeria's foreign reserves rose from about $32.3 billion in 2010 to $43.8 billion in 2012 after which it maintained a downward trend at $28.3 billion in 2015 and $23.8 billion at the end of the third quarter of 2016. Also, after an initial fall from 7.7 in 2010 to 5.8 in 2012, number of months of imports equivalent of foreign reserves reached a peak of 9.5 in 2013. However, the number of months of imports equivalent of foreign reserves which fell to 6.5, in 2015, rose to 9.05 in the third quarter of 2016. Comparing the level of reserves to imports reveals that in 2010, reserves were sufficient to cover 7.7 months of imports. This fell to 5.8 months in 2012, before reaching a peak of 9.5 in 2013. Since then the number of months of import cover fell to 6.5 in 2015, before rising again to 9.1 in the third quarter of 2016.

2.10. The official exchange rate was ₦150.66 per dollar in 2010 but rose to ₦197 per dollar in 2015. This movement shows the trend of the depreciation of naira (exchange rate) against the dollar. The difference between exchange rates at the parallel market and the official market continued to widen since 2012 when the gap was about 1%. As at 2015, the exchange rate at the bureau de change was higher than the official exchange rate by a record high of about 36% after rising from ₦156 per dollar in 2010 to about ₦267 per dollar in 2015. By the end of 2016, the exchange rate had jumped to about ₦305 and ₦464 per dollar at official and the parallel markets respectively. Currently, the Central Bank of Nigeria (CBN) has taken steps to intervene in the foreign exchange market in order to manage demand that outstrips the supply of foreign exchange. The objective remains a market-determined exchange rate.

2.4 Government Expenditure, Revenue and Debt

2.11. During the period 2010-2016, total government expenditure in Nigeria hovered between ₦4 trillion recorded in 2010 and ₦5.2 trillion in 2013, before settling at about ₦3.8 trillion at the end of the third quarter of 2016. Actual expenditure reflected a pattern according to which recurrent expenditure on personnel and overhead costs were consistently higher than capital expenditure, in reality, at odds, perversely, with the fiscal priorities of the Federal Government. Current figures indicate that personnel costs are 30% of the budget and 40% of revenue.[3] This situation is being carefully examined with regard to restoring priority focus on capital expenditure and investment for growth. Besides, recurrent expenditure rose marginally from about ₦3.0 trillion in 2010 to about ₦3.6 trillion in 2015 after a slight reduction in 2014. This part of the Federal Government expenditure stood at about ₦3.1 trillion at the end of third quarter of 2016. Following an unstable movement between 2010 and 2012, capital expenditure fell from a peak of about ₦1 trillion in 2013 to ₦783.1 billion and ₦818.4 billion in 2014 and 2015 respectively. It fell further to about ₦546.6 billion at the end of the second quarter of 2016. The Economic Management Team is providing advice and support to fiscal authorities in the Federal Ministry of Finance and the Federal Ministry of Budget and National Planning for the current pattern to be reversed so that actual priority focus is accorded to capital expenditure particularly in infrastructure. In this context, it is notable that the ERGP emphasizes investment in infrastructure, especially in power, roads, rail, ports and broadband networks. Capital expenditure will build on ongoing projects and identify new

[2] Central Bank of Nigeria (2015). Statistical Bulletin, Central Bank of Nigeria, Federal Republic of Nigeria, Abuja and Central Bank of Nigeria (2017). Quarterly Statistical Bulletin, Central Bank of Nigeria, Federal Republic of Nigeria , Abuja.

[3] Federal Ministry of Budget and National Planning, 2017.

ones to be implemented, in the Plan period from 2017 to 2020 to improve the national infrastructure backbone.

2.12. Although revenue was largely unstable during 2010-2016, the oil sector contributed the largest to Federal Government finances during the same period. Oil revenue has continued to dwindle since 2011 (when it reached its peak of about ₦8.9 trillion) but settled at ₦3.1 in 2015 and ₦2.0 trillion at the end of third quarter of 2016. However, Federal Government revenue from non-oil sources rose from ₦1.9 trillion in 2010 to about ₦3.3 trillion in 2014 before falling marginally to ₦3.1 in 2015. By the second quarter of 2016, non-oil revenue fell significantly to ₦1.8 trillion.

2.13. Both domestic and external debt outstanding of the federal government of Nigeria increased persistently during 2010-2016, from ₦4.6 trillion and ₦689.8 billion in 2010 to about ₦8.8 trillion and ₦2.1 trillion in 2015 respectively. Further, total Federal Government domestic debt stood at ₦10.6 trillion at the end of second quarter of 2016 while total external debt was ₦3.2 trillion at the same time.

3 DIVERSIFICATION AND MODERNIZATION PRIORITIES

3.1 Introduction

3.1. The 2014 collapse of oil prices reflected in the 60% drop in external revenues necessitated the imperative for Nigeria to seriously focus on diversification as an overriding economic policy priority. The diversification Plan, which is work in progress, is designed to achieve growth in a modernized and integrated 21st Century market economy that is pro-competition, wealth-creating, regulated for private and public interests and, re-balanced for insulation from external and domestic shocks. The plan triggers the process of shifting the economy away from a long-standing dependency on oil receipts. The starting point is stable power supply to drive economic activities. The "Power Sector Recovery Implementation Program", has been finalized and was adopted by the Federal Executive Council (FEC) on 22 March 2017. The World Bank is providing technical and financial support for the Power Sector Plan. In furtherance of reforms initiated by Government, implementation has commenced on the Presidential initiative on an Enabling Business Environment, which is institutionally critical for partnering with the private sector to leverage resources for development in the diversification of the economy. Implementation has been advanced with the establishment of the "Presidential Enabling Business Environment Council (PEBEC) and its permanent Secretariat, the Enabling Business Environment Secretariat (EBES). In its first phase, the Ease of doing Business Programme, under this initiative, is being implemented on the basis of the "60-day National Action Plan" on the Ease of Doing Business. In summary, the key pillars of the Growth and Diversification Plan include the following:

- The Presidential Enabling Business Environment Initiative;
- Nigerian Industrial Revolution Plan (NIRP);
- Micro- Small and Medium Enterprises (MSMEs) Plan;
- Investment plan for FDI, Portfolio and Domestic Direct Investment (DDI);
- Negotiated trade agreements to enlarge market access for Nigerian exporters of goods and services, including through the construction of Regional, Continental and Global value chains; and the,
- Smart Nigerian Digital Economy Project.

3.2. The Diversification Plan is in the context of the ERGP, which sets both the strategic and sectoral dimensions for diversifying the economy. Sectorally, as described in the ERGP[4], the challenge is that although the oil sector accounts for only 10% of Nigeria's GDP it remains a large contributor to export earnings and government revenues. The largest contributors are services (53.2% of GDP, including retail and wholesale trade), agriculture (23.1% of GDP), manufacturing (9.5% of GDP), construction and real estate (3.9% and 7.6% respectively of real GDP) in 2015.

[4] http://www.nationalplanning.gov.ng/images/pub/ERGP%20document%20as%20printed.pdf

Given their historical growth rates, these sectors have great potential to restore growth and diversify the economy, while generating foreign exchange and increasing the resilience of the economy to external shocks, especially in the oil and gas sector. Despite its relatively low contribution to GDP, solid minerals also have large potential for growth. Sectorally, diversification efforts and areas of investments by investors – both foreign and domestic – will be channelled to the six priority sectors: agriculture, manufacturing, solid minerals, services, construction and real estate, and oil and gas. Services, agriculture and manufacturing are projected to account for three-quarters of growth over the next four years. Solid minerals have great potential to grow. Oil and gas will continue to play a crucial role in Nigeria's economy, especially through value chain development and integration with other sectors.

3.2 Systemic and Sectoral Initiatives

3.3. The goal is structural transformation of the economy for industrialization, diversification and modernization. The macroeconomic context and the development direction have been established in the Economic Recovery and Growth Plan (ERGP). The ERGP has three broad strategic objectives to achieve the vision of inclusive growth outlined above: (1) restoring growth, (2) investing in Nigerian human capital, and (3) building a globally competitive economy.

3.4. Industrialization is one of the main engines for re-booting the Nigerian economy. Industrialization is based on the Nigerian Industrial Revolution Plan (NIRP). There are several key components to the NIRP. The Nigerian Industrial Revolution Plan (NIRP) is designed to accelerate the development of industrial capacity within Nigeria. Specifically, in the immediate, NIRP has the objective of developing four industry groups where Nigeria possesses abundance of primary resources. These are agri-business and agro-allied, solid minerals and metals, oil and gas related industries, construction, light manufacturing and services. In each of these sectors, the plan is for the private sector to lead, including through Private Public Partnerships (PPP) to build sector-specific value chains, boost local production, and target large-scale institutional investors for profitable operations.

3.5. Manufacturing is central, in particular for job creation. The plan is to expand the manufacturing share of GDP by accelerating the implementation of existing plans, re-activating a number of industries that became moribund. To spur competitive and efficient manufacturing are the Special Economic Zones (SEZs) that are being established largely from the existing base of Free Trade and Export Processing Zones already licensed. These are at an advanced stage of preparatory work for implementation. Specifically, the objectives of these SEZs are the following:

- Assist in overcoming the infrastructural and logistical disadvantages faced by manufacturing and industrial businesses in Nigeria, principally power, water, transportation and Information and Communications Technology (ICT);
- Promote the "cluster" and value chain effects to be gained by locating similar export oriented manufacturing businesses within the same locality;
- Improve the utilization of factor endowments and sources of comparative advantage; and,
- Create local models of global best practices in the provision of hard and soft infrastructure and the enabling environment for business.

3.6. The planning is geared towards the immediate, medium and longer term "dynamic objectives" for the integration of Nigeria as a manufacturing destination into regional and global supply chains, improvements in the ease of doing business, structural transformation of the economy and upgraded skills and technology. In the first phase, six locations are in a preparatory stage for immediate implementation namely:

1. Lekki Free Trade Zone, Lagos state
2. Ogun-Guangdong Free Trade Zone, Ogun state
3. Calabar Free Trade Zone, Cross River state
4. Kano Free Trade Zone, Kano state
5. Enyimba Free Trade Zone, Abia state

6. Ibom Deep Sea Port and Ibom City Free Trade Zone, Akwa Ibom state

3.7. The objective is to use the SEZs as a model to overcome the limitations to domestic manufacturing and supply constraints in infrastructure, power supply, input costs, low overall competitiveness and hence profitability. The SEZs are designed based on market demand and investment attraction to large markets and gateways to larger markets.

3.8. The starting primary focus is on six Special Economic Zones part of the existing 34[5] Free Trade Zones/Industrial Parks licensed across the country and spanning various activities (some specialized in nature) which have contributed to job creation and export development. As of date, the entire Free Zone scheme has attracted investment value worth over US$100 billion and direct employment of over 20,000 workers.

3.9. At an overall regulatory level, the *"National Industrial Policy and Competitiveness Advisory Council" (hereafter: "The Council")* was established in March 2017. The Council will drive the Nigerian Industrial Revolution Plan and ensure competitiveness, global best practices and standards. The Council shall be chaired by the Vice President of the Federal Republic of Nigeria, with the Honourable Minister for Industry, Trade and Investment as the Public Sector Vice Chairman and Mr. Dangote, as the Private Sector Chairman. Members are drawn from both the public and private sector.

3.10. In agriculture, the Federal Government has launched a series of programmes to reduce constraints faced by farmers. These include the Growth Enhancement Support (GES) scheme launched in 2012 to supply subsidized inputs to smallholder farmers; the Commercial Agricultural Credit Scheme (CACS), the Anchor Borrowers Programme and the Nigeria Incentive-based Risk-sharing System for Agricultural Lending (NIRSAL) aimed at increasing access to agricultural financing; and nationwide mapping of soil characteristics and the putting in place of irrigation projects to increase agricultural productivity. In terms of progress, 14 million farmers had registered in the GES scheme by mid-2015.

3.11. In 2016, the NIRSAL initiative opened 5,000 hectares of irrigable land for farming to prospective investors and will open more in the medium term. The government is also working on improving infrastructure to support agricultural expansion and development: roads, storage and value chain establishment to enhance rural farmers' access to national and international markets. The Federal Government is building on the foundation laid by the Agricultural Transformation Agenda through the establishment of the Green Alternative or Agriculture Promotion Policy. This aims to enhance productivity by improving access to land, information, knowledge, and inputs. It also includes soil fertility, production management, storage, processing, marketing and trade. Private sector investment will support improved access to finance and agribusiness investment. The Agriculture Transformation Agenda is designed to realign the Federal Ministry of Agriculture and Rural Development to include institutional setting and roles, youth and women, infrastructure, climate smart agriculture, research and innovation, food, consumption and nutrition security. One key strategic activity is the integration of the agriculture value chain to improve access to markets, which will revitalize the Nigerian Commodity Exchange (NCX) to fast-track exports, and improve inventory management and storage capacity at the national level. Implementation of the totality of these initiatives is designed to address the continuing challenges of the sector, which include limited access to financing and inputs for farmers, serious threat of climate change on yield,

[5] Calabar Free Trade Zone, Cross River state; Kano Free Trade Zone, Kano state; Maigatari Border Free Trade Zone, Jigawa state; Banki Border Free Zone, Borno state; Oluyole Free Trade Zone, Oyo state; Sebore Farms Export Processing Zone, Adamawa state; Lagos Free Trade Zone, Lagos state; Airline Services Export Processing Zone, Lagos state; OILSS Logistics Free Zone, Lagos state; Tinapa Free Zone & Resort, Cross River state; Snake Island Integrated Free Zone, Lagos state; Olokola Free Trade Zone, Ondo/Ogun states; Ibom Science & Technology Free Zone, Akwa Ibom state; Living Spring Free Trade Zone, Osun state; LADOL Free Trade Zone, Lagos state; Specialized Railway Industrial Free Zone, Ogun state; Abuja Technology Village Free Zone, FCT; Brass LNG Free Zone, Bayelsa state; Imo Guangdong Free Trade Zone, Imo state; ALSCON Export Processing Zone, Akwa Ibom state; Ogun Guangdong Free Trade Zone, Ogun state; Lekki Free Trade Zone, Lagos state; Kwara Free Trade Zone, Kwara state; Koko Free Trade Zone, Delta state; Ibom Industrial City Free Zone, Akwa Ibom state; Ogidigben Gas Revolution Park, Delta state; NAHCO Free Trade Zone, Lagos state; Ogogoro Industrial Park, Lagos state; Centenary Economic City, FCT; Nigeria International Commerce City, Lagos state; Badagry Creek Integrated Industrial Park, Lagos state; Maritime Economic City, Lagos state; Ondo Industrial City, Ondo state; Enpower Industrial Park, Enugu state.

limited access of agricultural outputs to the national and international markets, and output price instability.

3.12. The solid mineral sector remains virtually untapped despite its great potential to contribute to Nigeria's GDP. With 44 known types of minerals of different combinations and proven quantities, they continue to be unexplored or under- utilized. Although its overall contribution to GDP growth is small, its contribution to GDP doubled from ₦52 billion in 2010 to ₦103 billion in 2015. The Plan for the solid minerals sector seeks to refocus attention to the solid minerals sector and grow its contribution to GDP by at least 8% annually in the next three years. The Government further aims to facilitate the production of coal to fire power plants; produce geological maps of the entire country by 2020; integrate artisanal miners into the formal sector; encourage and promote mineral processing and value addition industries that strengthen backward and forward linkages; create an enabling environment to enhance private investment, targeting energy minerals, iron/steel and gold/ gemstones; and decrease value leaks/loss by formalizing informal mine activities.

3.13. The services sector is currently the largest contributor to the GDP at 53.6% in 2016. In real terms by an average of 4.6% in the last five years from 2012-2016 and thus has the potential for further growth through attraction of significant foreign exchange earnings and job creation. The fast growing services sub-sectors driving growth revolve around telecommunication and information technology (ICT), banking and financial services, the digital economy, in particular e-commerce, creative industries and entertainment (Nollywood & Music) industry, tourism, etc.[6] Economic activities indicate that diversification is underway and that the economy is becoming more services-oriented, especially in information and communication, retail and wholesale trade and real estate.[7]

3.14. Modernizing the Nigerian economy is a vital and urgent imperative for Government. To this end, the "Smart Nigeria Digital Economy" Project is one of the priority areas in the Plan by the Ministry of Industry, Trade and Investment (MITI) for "diversification, modernization and growth". The project will cut across key sectors of the economy. The Project contains hard and software dimensions. Implementation is being coordinated with the Ministry of Information and Communications Technology. The project is being designed and implemented within the context of the digital economy and the 4th Industrial Revolution. The objectives of the Smart Nigeria Project, include:

- Facilitating broadband coverage for Nigeria in order achieve an economy-wide digital platform;
- Diversification and growth through an Enabling Environment for Business and accelerated trade facilitation;
- Modernization for increased welfare and efficiency gains;
- Faster and deeper regional and global economic integration through connection to value chains;
- Investment attraction, expansion and retention; and
- expanding employment opportunities in Nigeria.

3.15. The growth objective of the Smart Digital Nigerian Economy project is to increase the contribution of ICT and ICT-enabled activity to GDP by, at least, 10% and create no less than 5 million new jobs between 2017 and 2026.

3.16. Financial services sector's growth has been significant although it was affected by the effects of the 2008 and 2009 global economic and financial crises and hence could have done better. The financial services sector grew by 11.3% by 2015 from 2010 in real terms. The aim of the policy is to encourage an increase in the volume of assets and the diversity of financial instruments; review the capitalization of financial institutions; encourage lending to agriculture and

[6] Nigeria National Bureau of Statistics, 2014
[7] African Economic Outlook, 2016

manufacturing sectors through syndication with development banks and at affordable lending rates and minimum other charges.

3.17. Nigeria's tourism industry struggles with the low level of global awareness of the country's tourist attractions, under-developed infrastructure, security challenges, lack of attractive options for domestic vacation, and insufficient investment. Private sector operators seek to attract tourists to Nigeria as a major tourism destination in Africa. The objective is to enhance the contribution of tourism to GDP; increase the number of visitors to Nigeria by 10% a year; increase the volume of domestic tourism; and promotes and encourages patronage of local agricultural, creative industry and manufactured products by operators in the tourism industry and strengthens backward and forward linkages.

3.18. The entertainment sector is at the core of Nigeria's creative industries. The sector has a huge potential to generate sustained and inclusive growth and contribute to diversification of the economy. Nigeria's entertainment sector particularly the film industry also known as "Nollywood" has witnessed tremendous growth from the 1980's till date. This sector is ranked second globally after Hollywood in terms of number of films produced. The export potential of Nollywood and the Nigerian creative industry are evident. There is scope for significant expansion of investment in this sector. The industry is now the second largest employer of labour after Agriculture in Nigeria. In 2014, when Nigeria rebased its economy, the creative industries, particularly, "Nollywood" grew at 33% and contributed $6 billion to GDP.[8] Despite this rate of growth, the entertainment sector is working to improve across a range of areas including technology, better protection of the intellectual and property rights regime, including copyrights so as to stop the piracy that has eroded the profit of the sector. The purpose of Government policy and regulation is to ensure that the sector is not encumbered and can continue to expand robustly without restrictive trade and other measures introduced against exports in the regional and global market. The Government will support private sector efforts in this and other sectors of knowledge and enterprise so they can expand job creation, wealth and foreign exchange earnings. To this end, the Government is working to ensure the stricter enforcement of intellectual property rights regime; and in the recently released Economic Recovery and Growth Plan (ERGP), the creative industry is one of the prioritized service sectors.

3.19. The construction sector accounted for 3.9% of real GDP by 2015, and average annual growth rate of 11.4%, providing almost 1 million formal jobs. The Government is focused on addressing a range of constraints such as high cost of building houses, land title questions, preparation of sites and services, and borrowing. Regardless, the construction sector is a fertile area for investment opportunities, rapid growth and profit. Foreign and domestic investors are being encouraged to invest in this sector. To support the efforts of the private sector, the government is working to establish a Family Homes Fund designed as a PPP to reduce the burden of construction on households and improve access to social housing. The Government also plans to work with State governments to invest in vocational and technical training centres to develop skills for local craftsmen and women in this sector. A plan is being implemented to construct 2,700 housing units in the short-term to create 105,000 direct jobs a year. There are several aspects to this plan. They include, *inter alia*, gradually increasing housing units by 10,000 housing units per annum by 2020 and 20,000 pilot social housing units; to re-capitalizing the Federal Mortgage Bank of Nigeria from ₦2.5 billion to ₦500 billion to respond, in part, to the housing need across Nigeria; construct 12 new Federal secretariat complexes in the States where none exists; and, complete the renovation of the existing 23 Secretariats. The Construction Sector is a prime sector for investment opportunities.

3.20. The oil and gas sector is made up of the upstream production of crude oil and natural gas (mostly for export) and downstream activities composed of refining and petrochemicals production. The challenge facing the sector at both upstream and downstream levels is being tackled. His Excellency Professor Yemi Osinbajo, Vice President of the Federal Republic of Nigeria is directly engaged in dialogue with leaders in the Niger Delta to address and resolve inherited longstanding questions. Progress is being made. The challenges faced by the downstream sector are also being addressed with the upgrade of the technology in Nigeria's four refineries with installed capacity of 445,000 bpd, but which are only operating at 5% of installed capacity. A

[8] http://www.datamaniaconsult.com/nollywood-others-grow-at-33-contributes-6bn-to-rebased-gdp/#.WQhMLO-rPIU

transformation plan is being implemented to develop gas production and domestic oil refining to meet internal demand, and export refined products.

3.21. The investment opportunities in this area are significant. Therefore, the Government is revamping refineries to increase local production capacity. However, the major investments are from the private sector that is undertaking massive investments in this area. For example the Dangote Industries Limited has invested and is building a refinery and petrochemical plant in the Lekki Free Trade Zone with a refining capacity of about 650,000 barrels of crude. On current estimates, the plant's daily output will satisfy and exceed Nigeria's daily consumption requirement of 445,000 to 550,000 barrels of fuel. The project will be completed in 2018 and is estimated to create over 300,000 direct and indirect jobs by 2019. The sector remains open for investments in the upstream and downstream, including in the construction of modular refineries.

3.22. On the part of the Government, development projects are being launched in the gas sector to increase production; and, improve the governance of the sector. A range of actions are being taken. Policy and regulation are being reviewed, including: the National Oil Policy; National Gas Policy; Downstream Policy; Fiscal Reform Policy; and, the Petroleum Industry Reform Bill. Steady efforts are being made to improve the business environment across the board, ranging across gas infrastructure development; promotion of domestic utilization of liquefied petroleum gas (LPG) and compressed natural gas (CNG); reduction of gas flaring; implementation of gas commercial framework; and increasing gas to power.

3.23. The private sector is central and will partner with the Government to drive the structural transformation plan for sectoral diversification, industrialization and modernization.

3.24. As clearly stated in the ERGP, the Federal Government will promote private-sector investment to finance ERGP priorities. In particular, this will include priority investments in infrastructural development such as power, road, port and rail projects. It will also encourage the private sector to lead investment in the six sectors expected to drive growth: services, agriculture, manufacturing, solid minerals, construction and real estate, and oil and gas. Projects will also be implemented through PPPs. Privatization will encourage wider participation in infrastructure.

3.25. With the objective of achieving structural transformation through diversification, the Government, in the immediate to the medium term, is committed to the development of the identified priority sectors above.

3.3 Institutional Support for Structural Transformation and Sectoral Diversification

3.26. To formalize and give legal backing to the policy reform initiatives highlighted above, the National Assembly is considering for enactment a number of bills that are meant to support diversification and achieve structural transformation of the economy. These bills include the Petroleum Industry Bill (PIB); National Development Bank of Nigeria (Establishment Bill); Nigerian Ports and Harbors Authority Act (Amendment) Bill; National Road Fund (Establishment) Bill; National Transport Commission Bill, 2003 (Amendment) Bill; Warehouse Receipts Act (Amendment) Bill; Companies and Allied Matters Act (CAMA) (Amendment) Bill; Investment and Securities Act (ISA); Customs and Excise Management Act; Federal Competition Bill; the National Road Authority Bill; the Petroleum Industry Reform Bill; Special Economic Zone Bill, Nigerian Metallurgical Bill, Nigeria Tourism Development Corporation Bill; Nigeria Agricultural Quarantine Service Bill; and, the National Bio-safety Bill. The latter provides a regulatory, institutional and administrative mechanism for safety measures in the application of modern biotechnology in Nigeria in order to prevent any adverse effect on human health, animal, plant life and the environment.

3.27. In terms of public-private infrastructure financing and management, the Government is implementing steps to establish an infrastructure fund. The goal is to raise US$25 billion within three years. Energy, water and transport sectors have been the focus of PPP arrangements by the Federal and State Governments. This is regulated by the Infrastructure Concession Regulatory Commission (ICRC), which supervises the PPP sector and coordinates public-sector interests as well as those of private-sector partners. The regulations governing PPP procurements and contracts in Nigeria are established in the ICRC Act of 2005, the Public Procurement Act of 2007, and the 2008 National Policy on PPP.

3.28. In the technology sector, there are bills, being reviewed and awaiting passage by the National Assembly. These are the bills for the interception of electronic communications, the cybercrime bill, and the postal reform bill. There are three Bills also on Electronic Transactions Bill, 2015; National Centre for Agricultural Mechanization Act (Amendment) Bill, and the Nigerian Communications Satellite Bill which are meant to enhance the productive activities of communication services as well engender large scale farming.

3.29. Of significance is the competition and consumer protection bill, which is being considered by the National Assembly. The Bill aims to establish the Federal Competition and Consumer Protection Commission for the development and promotion of fair, efficient and competitive markets in the Nigerian economy, which facilitate access by all citizens to safe products, and secures the protection of rights for all consumers in Nigeria and for other related matters. The substantive provisions of the bill also aims at prohibiting restrictive business practices, which prevent, restrict or distort competition or constitute an abuse of a dominant position of market power in Nigeria. This will contribute to the sustained growth and development of the Nigerian economy. On the procedural state-of-play, at this time, the House of Representatives passed the Bill on 14 March 2017. It is currently before the Senate, following a Public Hearing and review by a Technical sub-committee and the Senate Committee on Trade and Investment. It is awaiting consideration for a third and final reading and passage by the Senate in March. After passage by the Senate, the House and Senate versions will be harmonized in Conference and the harmonized version adopted and passed by each House. It is expected that the Bill would be enacted this year. The bill when enacted by the Parliament and signed into law will establish the Federal Competition and Consumer Protection Commission ("the Commission") for the purpose of carrying out the functions, duties and responsibilities as conferred upon it by virtue of the provisions of the Act.

3.30. To ensure fair competition, domestically, but also in Nigeria's engagement with its trading partners, regionally, continentally and globally, steps are being taken to prepare domestic regulation and law for trade remedies and safeguard the Nigerian economy from trading partners that unfairly and illegally dump products – below market price – in the Nigerian market. The process and substance of related regulation and laws are in accordance with international standards and best practices.

3.31. Before the close of the Seventh Assembly, the National Assembly passed 46 trade related Bills into Law. Taken together, all these bills will contribute to structural transformation to diversify and modernize the Nigerian economy. The process of regulatory activities and enactment of bills into laws are being undertaken on the basis of transparent stakeholder consultations, in accordance with international standards and best practices. Integral to the initiatives for diversification of the economy are stakeholder consultations in trade policy making. The Government shall sustain the consistency of dialogue with interest groups such as exporters, importers and consumer groups and encourage the creation of new business groups especially in services activities. Nigeria is committed to the rule of law for predictability, certainty and accountable government.

3.32. As underlined and reiterated in the ERGP, the Government will remain committed to market based solutions and neither seeks nor intends to micro-manage the economy. As part of the use of market instruments for diversification, in 2011, the Nigerian Sovereign Investment Agency (NSIA) - independent from government - was established to manage and invest in a diversified portfolio of medium to long term revenue of the three tiers of Government. Its mandate and functions include, *inter alia*, to prepare for the depletion of Nigeria's hydrocarbon resources, attract foreign investment, and invest in critical infrastructure with focus on the goals of economic diversification, growth and employment. The NSIA operates, pursuant to the NSIA Act and in accordance with the Santiago Principles.[9]

3.33. The Nigeria Infrastructures Fund (NIF) managed by the NSIA invests in domestic infrastructure projects in order to stimulate the growth and diversification of the Nigerian economy, attract foreign investment and create jobs for Nigerians. Priority areas for investment include healthcare, transportation, energy and power, water resources and agriculture. Other areas include: communications, aviation, rail, waste and sewage, gas pipelines, ports, industrial parks, mining and refining. The NSIA has invested and made investments in the areas of

[9] The Santiago Principles are the set of 24 guidelines that assign "best practices" for the operations of Sovereign Wealth Funds, globally.

agriculture, real estate development, infrastructure development (roads, bridges, power, etc.). For instance, in 2017, the NSIA plans to invest US$760 million in the construction of the Second Niger Bridge Project under a Public Private Partnership (PPP) arrangement; and, invest in Nigeria's commodity exchange through a pre-privatization arrangement. As work in progress, there are inter-agency exchanges on the scope for investing directly in a National Single Window Project to improve the technology platform of the customs to increase revenue collection and enhance efficiency. The fund is also focused on investments in Industrialization Projects to stimulate economic and social growth. The activities of the NSIA will improve Nigerian economy by positioning it on the path of competitiveness and diversification.

4 TRADE AGREEMENTS AND ARRANGEMENTS

4.1 Introduction

4.1. This section reviews aspects of Nigeria's WTO membership. It also reviews Nigeria's involvement in regional trade arrangements and agreements at two inter-related levels: (a) as a founding member of the Economic Community of West African States (ECOWAS); and, (b) as a leading participant in the on-going negotiations to establish a Continental Free Trade Area (CFTA) in Africa. At the third level, Nigeria's bilateral trade agreements are updated. Finally, preferential trade agreements and arrangements are briefly examined and updated.

4.2. Nigeria's current trade policy regime was approved in 2002. This trade policy is in the process of a fundamental re-work and consultation. The draft new trade policy will build on several foundational and constant aspects of the 2002 policy. However, fundamentally, it will reflect 21st Century realities. The new trade policy is work in progress.

4.3. The 2002 trade policy was governed by multilateral, regional, preferential and bilateral trade agreements to which Nigeria is signatory. Nigeria reaffirms its commitments and obligations to the rules-based global economy and the Multilateral Trading System, as a foundation member of the World Trade Organization (WTO).

4.4. The 2002 Nigerian Trade Policy Regime was designed to integrate the country into the global trading system with a view to maximizing the advantages of globalization. The goals of that trade policy were threefold. First, to maximize the benefits from trade, create jobs and engender economic growth and inclusive development while safeguarding the Nigerian economy from unfair trading practices, protecting Nigerian consumers, and the environment from unsustainable practices. Second, to enhance Nigeria's competitiveness in the global trading environment, through the creation of an enabling environment that supports diversification of exported products through removal of all encumbrances to production and trade. Third, to deepen and expand the nation's contribution to international trade with the aim of building a fair, transparent and equitable trading platform that responds to the demands of domestic stakeholders and creates opportunities for win-win for foreign trade partners. While these objectives remain valid, since 2002 the global trading environment has undergone radical transformation that requires domestic trade policy adjustments.

4.5. For instance, there have been rapid and continuing changes in technology – with the so-called Fourth Industrial Revolution. An internet economy has emerged that requires digital-led strategies for growth. Production and trade have become bundled together resulting in "trade in tasks", which have called for negotiating responses through "value chain construction". The proliferation of FTAs and PTAs has both created and diverted trade, hence requiring greater national trade policy scrutiny, modelling and assessments, in order to design more effective and welfare-enhancing trade integration arrangements. Domestically, demographic pressures have increased the demand for jobs. In this context, domestic politics and national governments have required sharper scrutiny on trade and other policies, so as to ensure that trade policies improve contributions to welfare and job creation. These adjustments are being made in the update of the 2002 Trade Policy Regime that will also reflect a changed global trading order.

4.2 Multilateral Trade

4.6. Nigeria is a founding member of the WTO and has reaffirmed its commitment to the rules-based MTS, as shown in the country's participation in WTO activities from the coming into force of

the Organization. It remains an active participant of the Doha Development Round of negotiations, including on new trade issues. Similarly, Nigeria is active and prominent in regional coalitions, Constituency Groups, including the African Group, the African, Caribbean and Pacific (ACP) Group and the G90, and Cross/Inter-Constituency Groups. Nigeria continues to play an active role in the negotiations of for agriculture liberalization, Non-agriculture market access (NAMA) and the trade-related aspects of the intellectual property rights (TRIPS). In cross-Constituency Groupings in emerging and new issues, for a modernized WTO Trade Agenda, it is engaging, participating, including through Co-Sponsorship in such Groupings as "Friends of E-Commerce for Development" (FEDs) and "Friends of Investment Facilitation for Development".

4.7. At the institutional and decision-making level of the Organization, Nigeria has participated, actively, including at Ministerial Conferences, where Nigeria has been engaged. Nigeria provided a chairperson in the first generation of Chairpersons for the Organization in 1995, chairing the Committee on Rules of Origin. In 2009, Nigeria chaired the Eight WTO Ministerial Conference, the highest decision-making body of the Organization. It has chaired several bodies at different times: Chair of Trade in Services (2009), the Chair of the Dispute Settlement body (DSB) (2010) and the Chair of the General Council (2011). Clearly, the country is fully engaged and supportive of WTO institutions, processes and procedures.

4.8. Nigeria ratified the Amendment to the TRIPS Agreement and the WTO Trade Facilitation Agreement (TFA) on 16 January 2017. Government efforts to have access to affordable medicines under the WTO rules established the self-evident case for the ratification of TRIPS Amendment.

4.9. On the ratification of the TFA, the country's policy priority is to improve the ease of doing business, promote competition and diversify the economy. These priorities provided the rationale to ratify the TFA. Thus, the TFA's implementation is *in tandem* with the Government's efforts to improve the business environment and achieve significant reduction in the cost of doing business. While some of the issues involve institutional reforms, others require huge capital outlay and hence the country would benefit from technical as well as financial assistance from development partners in some areas including the building of trade infrastructure and the implementation of international trade facilitation standards, procedures and regulations. The National Committee on Trade Facilitation as provided for in the WTO TFA is in place to facilitate the implementation of the Agreement.

4.10. For Nigeria, protection of Intellectual Property Rights (IPRs) is central in the drive to foster innovation, creativity and development. In the implementation of the TRIPS agreement as envisaged, the Trademarks, Patents and Designs Registry with the assistance of WIPO embarked upon an aggressive institutional reform. This is aimed at implementing the Presidential priority on improving the Ease of Doing Business, service delivery, effectively, efficiently and expeditiously.

4.11. Specifically, the Commercial Law Department of the Federal Ministry of Industry, Trade and Investment has introduced the online registration system, in collaboration with WIPO, established a Technology and Innovation Support Center (TISC) and, set up the Industrial Property Automation System (IPAS). This has encouraged trademark registration activities, innovation, quality and assurance.

4.12. The online registration system encourages the filing of applications using the internet platform. This has reduced the timeline between submission and first office action by seven (7) days. The system also enables the applicant to monitor and track his/her application with communication interface and feedback. The IPAS also has a physical medium for applicants that may not use the internet, or have no access, to submit their application at the receiving or front office, where it would be captured into the system and processed.

4.13. The TISC was targeted at promoting local innovation, re-engineering and technology transfer. The main target groups are SMEs, Local inventors, Research Institutes and Universities. Currently, the centre has registered approximately 240 participants. This has Promoted Patenting and Innovation. Between 2013 and 2016 the Patent registry recorded a 17% increase in Local Patent application. However, there is still work to be done.

4.14. The Registry search system of the index data base remains manual. WIPO in collaboration with the Japan Patent Office (JPO) is currently digitizing one hundred thousand (100,000) active

files in the registry with a view to standardization in a digital data bank to enhance search, ensure efficiency and reduce time. This project commenced in March.

4.15. There are areas of the implementation of WTO agreements where there is scope for improvement. These include timely notifications and implementation of operative provisions of some agreements. As part of the new trade policy for Nigeria, an updated institutional infrastructure is being structured for the conduct and management of trade policy in the complex and rapidly evolving 21st Century global trade policy landscape. This will include better structured institutions, greater specialization, enactment of appropriate domestic laws and regulations, such as for trade remedies and safeguard to counter unfair and illegal competition. To this end, trade has been mainstreamed into the recently launched Economic Recovery and Growth Plan (2017-2020) in order to reap the benefit of trade integration.

4.3 Regional Trade Agreements

4.16. Nigeria is currently engaged in two related negotiations at the regional level namely, the Economic Community of West African States (ECOWAS) and CFTA levels.

4.3.1 ECOWAS

4.17. Nigeria is a founding member ECOWAS and provided the leadership that led to the establishment of ECOWAS. Nigeria is committed to deepening regional integration and to ensuring the update of the ECOWAS *acquis* to reflect the realities of the 21stCentury economy in a way that ensures a win-win and mutual benefit for all members of ECOWAS.

4.18. The ETLS provides added impetus to regional trade. Products traded under the Scheme move freely among the countries in the region. Available information shows that in Nigeria, 30 enterprises registered in 2015, compared to 34 in 2014. To date, a total of 1,735 (one thousand seven hundred and thirty-five enterprises) have registered since the commencement of the implementation of the Scheme in 1990. From the perspective of Nigerian entrepreneurs, the Scheme is affected by a number of challenges including lack of monitoring, evaluation and reporting on the Scheme; cumbersome application forms; delays in processing and issuing approvals; among others[10]. These challenges, especially cumbersome processing and approval procedure contributed to low trade performance at intra-regional level. Nigeria will work with other ECOWAS Members to improve on several aspects of trade integration in the region, including, but not limited to trade facilitation. Nigeria shall continue to provide the necessary leadership in deepening ECOWAS integration, including through the ETLS. However, in doing so, it shall ensure that the region does not become a dumping ground for products that have unfairly benefited from trade distorting domestic subsidies from third party trading partners.

4.19. Also, it is the policy of the Government to work with other ECOWAS members to gradually bring informal trade into the formal sector, construct ECOWAS value chains that will increase the welfare of producers and manufacturers and providers of service in the region. A strong and rapidly growing ECOWAS is good for every one of its individual members. Nigeria is strong when ECOWAS is strong. It is in this context that Nigeria will work for the adoption and strengthening of common policies in areas such as monetary policy, competition, investment, safeguards and development of a common market; as well as support and facilitate full implementation of commitments that have been undertaken, relevant to regional frameworks, such as the removal of different forms of trade barriers and prohibitions, on ETLS qualifying goods in line with the ECOWAS Protocols, in particular on ECOWAS local content. However, unfairly and illegally dumped products in the regional market shall be challenged by trade remedies and be off-set by compensating measures. In line with WTO safeguard measures, Nigeria is working to establish an institutional structure to report and/or investigate cases of trade distortions, including dumping. Such WTO-consistent measures in tandem with the ECOWAS Trade Protocols shall be necessary for the effective implementation of the ETLS.

4.20. The ECOWAS Common External Tariff (CET) has been negotiated and approved as a step towards establishing a customs union among the ECOWAS member States. Nigeria began implementation of the ECOWAS CET in April 2015 with three accompanying supplementary

[10] See WAMI (West Africa Monetary Institute) (2016) *WAMZ Trade Integration Report.*

measures[11] to be phased out no later than December 2019 and thus ending the transition period prior to the implementation of ECOWAS CET in 2020.

4.3.2 Continental Free Trade Area (CFTA)

4.21. In January 2012, Heads of State and Government of the African Union adopted the decision to establish Continental Free Trade Area (CFTA) by the indicative date of 2017. They endorsed the Action Plan for Boosting Intra-Africa Trade (BIAT). Nigeria reaffirms its strong support of the decision of the 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union, held in Addis Ababa, Ethiopia, to establish the Continental Free Trade Area. The CFTA negotiations effectively started in 2016. Nigeria is engaged with other 54 Members of the AU in the Negotiating Forum for the CFTA.

4.22. The CFTA aims to enhance competitiveness at the industry and enterprise level through exploiting opportunities of scale production, continental market access and better allocation of resources. The CFTA agenda covers wide areas of trade issues, which are organized into two stages of negotiations: the first phase of the negotiations is on goods and services and the second covers investment, competition and intellectual property rights.

4.23. Nigeria considers that the CFTA provides the African Union with the opportunity to significantly improve the level of intra-African trade, which is currently at 19%. In Africa, we should do better. We believe that the CFTA negotiations provide the Continent with the opportunity to undertake domestic policy and structural reforms; diversify our economies; build our production capacities; become competitive and achieve long-term industrialization. The CFTA negotiation is not only a strategy for trade integration, but it is also a developmental integration strategy.

4.24. Nigeria has a vital strategic interest in the CFTA negotiations. Nigeria wants to see a strong economically integrated African market, not divided by a proliferation of different PTAs.

4.25. In the CFTA negotiations, the facts show that some African countries are committed to Economic Partnership Agreements (EPAs). CFTA negotiations and implementation would have to address this reality and associated challenges in order to prevent trade diversion and or trade diversion. This may require creation of appropriate rules of origin. Nigeria is engaged in the CFTA negotiations to reduce and eliminate barriers to Nigerian exporters of goods and services. The CFTA matters. Nigeria is pushing for the conclusion of these negotiations as soon as possible.

4.26. Similar to the priority attached to trade and economic integration, Nigeria attaches the utmost priority to trade integration through the CFTA negotiations. Nigeria is engaged intensively, at every level, in the negotiations and analysing the probable welfare effects.

4.4 Bilateral Trade (Investment) Agreements

4.27. Nigeria has signed a substantial number of Bilateral Trade Agreements (BTAs) and memoranda of understanding (MOUs), with many countries, aimed at creating enhanced market access, attracting a positive inflow of foreign direct investment and encouraging industrialization. The Government will continue to utilize these agreements to secure favourable market access conditions for products that are of interest to Nigeria and also to promote and protect Nigeria's trade and investment interests in other countries and protecting foreign investment in Nigeria.

4.28. In order to optimally benefit from these agreements, the new trade policy infrastructure under establishment will set-up a review process for existing agreements with a view to their modernization, update, including the construction of value chains that link trade and investment. It will create a platform to channel Nigerian trade and investment to its external partners within the context of MOUs, BTAs and BITs. The new infrastructure will create a strengthened negotiating and implementation capacity so as to mutually optimize net benefits from these agreements.

[11] These are the Import Adjustment Tax (IAT), National List (NL) and Import Prohibition List.

4.5 Preferential Trade Agreements and Arrangements

4.29. Nigeria is a signatory and beneficiary of a number of Preferential Trade Agreements (PTAs), including the Generalized System of Preferences (GSP), Global System of Trade Preferences (GSTP) and United States Africa Growth and Opportunity Act (AGOA). Nigeria's exports enjoy preferential access to the USA market under AGOA, which provides for eligible countries to qualify for duty free and quota free access to the US market for a range of products including agricultural and textile products. In the eight years that remain under the extended AGOA preference scheme, Nigeria is consulting with stakeholders on improving its utilization rate under AGOA.

4.5.1 Economic Partnership Agreement (EPA)

4.30. Nigeria values and accords the highest premium to its economic and trading relationship with the European Union (EU) and all its individual member States. However, Nigeria has communicated to the EU that it shall neither sign nor ratify the ECOWAS European Union Economic Partnership Agreement (the EPA), in its present form. In this circumstance, appropriate measures including rules of origin are required in the implementation of ECOWAS CET in order to eliminate trade diversion and or trade deflection. Nigeria is in conversation with the EU at several levels, with the European Commission and several of its individual member States. Nigeria remains in contact and is in exploratory contacts at several levels.

4.31. Nigeria's policy for deepening market penetration under preferential trade and non-preferential agreements and arrangements is founded on the principle of mutually beneficial trade between Nigeria and her trading partners. The direction of trade policy for the Nigerian Government in the on-going trade policy review process is to strengthen the capacity of Nigerian firms and exporters to take advantage of market opportunities offered by such agreements and arrangements. It commits itself to work in close cooperation and collaboration with the private sector to ensure their active participation and benefit in all negotiations that would promote free and mutually beneficial trade.

4.32. As being codified in the new trade policy regime being developed, at this stage, it is the policy of the Nigerian Government to negotiate integrated trade and investment agreements. This is consistent with the updated economic and trade policy priority of government to expand employment opportunities and create jobs in-country. As a practical policy consequence and to give effect to this policy, access to the Nigerian market shall be based, *inter alia*, on carefully designed value chains that result from negotiated integrated trade and investment agreements that will ensure that production hubs in regional and global value chains are also located within Nigeria so as to create jobs in-country to address, *inter alia*, a youth bulge that carries significant opportunity and risk.

5 TRADE-RELATED TECHNICAL ASSISTANCE

5.1. Since 1995, Nigeria has continued to benefit from WTO Trade Related Technical Assistance (TRTA) programmes. A substantial number of Nigeria Government officials have been trained in various WTO activities ranging from Regional Trade Policy Courses, Advanced Trade Policy Courses, Geneva-based Courses, Internship Programmes, National and Regional workshops and the newly introduced on-line courses. These have served to increase the knowledge, capacity and understanding of WTO Agreements in Nigeria.

5.2. However, an increased supply for trade-related technical assistance and capacity-building shall be required based on training demands to improve understanding and develop expertise and skill-sets in response to the changing global trade policy landscape, expanded negotiations for trade agreements and the emerging new infrastructure for the conduct and management of trade policy and negotiations.

5.3. Specifically, trade capacity development is needed to address supply-side constraints and reduce trade costs. Some of this assistance would not be provided by the WTO, but by other development partners. For classical WTO training, demand remains for the standard description of the rules-based Multilateral Trading System and the accompanying balance of rights and obligations for Government Ministries, Departments and Agencies (MDAs), Parliamentarians, the private sector and civil society.

6 MEDIUM-TERM OUTLOOK

6.1. The last six years have recorded significant changes in the global economic and trade policy landscape, as it affects other countries, including Nigeria. Exogenous and endogenous factors have impacted on the domestic economy. External factors include the 2014 collapse of oil prices, the global economic slowdown, and market volatility (at the start of 2016) and, insecurity caused by trans-border terrorism. More recently, from 2016, radical changes were triggered in the global economic and trade policy environment, reflected in the opposite pulls and pressures for trade integration, on the one hand and, on the other, economic nationalism, anti-globalization and resurgent protectionism. These developments require careful analysis, improved understanding and accompanying adjustments.

6.2. Domestically, policy reforms are being pursued on the basis of the 3-point Agenda of the Administration of President Muhammadu Buhari to fight corruption, insecurity and unemployment through robust economic growth. Significant progress is being registered on this 3-point Agenda.

6.3. Strategically, the macroeconomic context for the implementation of these objectives is taking place within the framework of the Medium-Term *Economic Recovery and Growth Plan*, for the period 2017-2020, which was launched in March 2017. The ERGP is the development instrument for the structural transformation of the Nigerian economy for diversification, industrialization and modernization. It is within this framework that a new trade policy regime for Nigeria is being updated and prepared to reflect fundamentally changed circumstances, such as the rapid changes occasioned by technology and the urgent necessity to become more competitive, plug into value chains and create jobs for a rapidly expanding domestic population.

6.4. In the African Continent, Nigeria has engaged intensively in the negotiations for the Continental Free Trade Area (CFTA) and ECOWAS trade integration, the purpose of which is to expand market access for Nigerian exporters and to use trade as an engine for growth, while safeguarding the Nigerian economy from "dumped" products from trading partners that use trade distorting subsidies. Trade policy and associated negotiations shall be used to drive growth, ambitiously and aggressively.

6.5. The implementation of the ERGP, the envisaged conclusion of the negotiations for the Continental Free Trade Area (CFTA) and its implementation, the implementation of the United Nations Sustainable Development Goals (SDGs) and, scope for Nigeria's bilateral negotiations, shall be the main drivers of both the economic policy reform, in general, and trade policy reform, in particular.

6.6. The ERGP identified industrial and trade policies as growth enablers. The industrial strategy is informed by the great need to transform and diversify the Nigerian economy. In doing so, however, the Government will neither "micro-manage the economy" nor will it "run businesses" nor "select winners". "Rather, the role of the Government, *inter alia*, is to establish an environment in which market-determined public - private partnerships are established, with the goal of having the market efficiently allocate finite resources to achieve greater productivity, competitiveness and growth".

6.7. As an integral part of the diversification plan and strategy, a "zero oil initiative" was launched by the government in 2016. The objective is to boost the supply of foreign exchange from non-oil sectors. This initiative has five main components: (1) develop the export sector based on export policies for the 11 major products that generate US$30 billion in foreign exchange per annum. The identified products are cotton, rice, leather, gold, soya, sugar, cocoa, petrochemicals and fertilizer, palm oil, rubber, and cement; (2) seek and develop new markets by reviewing all trade and investment agreements to prioritize Nigerian exports to target markets and activate networks through value chains to access markets; (3) Enhance domestic sourcing by launching the first National Export Aggregator, with facilities and traders for export off-take and intensity; involving identification and engagement of the top 500 leading local and global corporations for exports; (4) Reform export incentives and funding with a view to boosting exports and providing last-mile financing to export projects; and (5) incorporate States, zones and competencies into export development by commencing export projects and investment tracking in each State as part of the One-State-One-Product scheme.

7 CONCLUSION

7.1. This report has presented recent developments in Nigeria and the challenges currently facing the economy especially the economic recession. While this is a challenging period for the economy, it is also presents a historic opportunity for domestic policy and structural reforms in an economy abundant with opportunities. Trade policy remains central as an engine for growth and for driving sustainable and inclusive development aspiration of the country. Hence, Nigeria remains committed to the WTO process and the rules-based Multilateral Trading System.

7.2. The major challenges facing the economy include inherited weak institutional structure coupled with exogenous and endogenous shocks and their attendant unwelcome effects on economic management. Government efforts in getting the economy out of the recession and in putting it on a sustainable growth path as contained in the *Economic Recovery and Growth Plan*, *2017-2020* (ERGP), assigned an important role to trade and trade policy. As a growth enabler, trade policy is expected to reflect the development priority of the country and has been mainstreamed into the domestic plan for development namely, the ERGP.

7.3. Nigeria welcomes development partnerships - technical and financial cooperation - in the implementation of different programmes. These development partnerships and support would contribute to leveraging enhanced competencies in several areas including trade policy development and advocacy; trade rules and development; competitiveness of supply capacity; trade infrastructure and services; legal and regulatory framework for trade policy-making and implementation; and, trade facilitation in goods and services. The ultimate goals of trade policy and opening are development, welfare and prosperity.