List of Abbreviations

CBN – Central Bank of Nigeria
CET – Common External Tariff
DFID – United Kingdom Department for International Development
ECOWAS - Economic Community of West African States (ECOWAS)
EU – the European Union
FGN – Federal Government of Nigeria
FOS – Federal Office of Statistics
GDP – Gross Domestic Product
GMO – Genetically-modified organisms
GNP – Gross National Product
GSP – Generalized System of Preferences principle of the WTO
HIV/AIDS – Human Immuno Deficiency Virus/Anti-Immuno-Deficiency Syndrome
IMF – International Monetary Fund
LDC – Less/Least Developed Countries
MAN – Manufacturers Association of Nigeria
NEEDS – National Economic Empowerment and Development Strategy
NAPEP - National Poverty Eradication Programme
NGO – Non-Governmental Organization
NTB – Non- Tariff Barriers
OGL – Open General Licensing
OPEC – Organization of Petroleum Exporting Countries
PRSP – Poverty Reduction Strategy Process/Paper
SAP – Structural Adjustment Programme
SS – Stolpher – Samuelson
UNCTAD – United Nations Conference on Trade and Development
UNDP – United Nations Development Programme
UNIDO – United Nations Industrial Development Organization
WTO – World Trade Organization
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Keywords: Trade, Poverty, Macroeconomics, Exports, Imports.
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Abstract

This paper evaluates trade policy (and particularly the 2002 trade policy document in Nigeria) and the extent to which it facilitates or hinders poverty reduction in Nigeria. It examines the state of poverty and the poor in the country and proceeds to evaluate the provisions of the current trade policy document. Based on the intention to provide inputs into the ongoing review of the current trade policy, it also evaluates its consistency with the NEEDS and other domestic development policy documents.

Chapter One

Background

Since the last twenty years, economic policy in Nigeria can be characterized by trade liberalization and regional integration which is defined by the radical reducing or removal of trade barriers. The World Trade Organization (WTO) the IMF and the especially the World Bank (WB) have obtained considerable powers to sway policies in countries towards this path. As a part of the global structural adjustment programme, it is assumed and argued that trade liberalization improves the welfare of consumers and trims down poverty. The assertion was two-fold and simple. First, it is argued that liberalization offers wider room for choice from an array of quality goods and cheaper imports also find more lucrative markets in which their products can be sold. A second argument is that, the production of goods in which a country has comparative advantage expands, while the sectors without comparative disadvantage minimize. This is believed to lead to an overall rise in real GDP since there would be reallocation of the productive factors from less efficient sectors to more efficient sectors. ‘It is against this setting that many developing countries liberalized their imports, reduced average tariffs and dismantled significant number of Non-Tariff Barriers.’

Nevertheless the degree of realization of the anticipated rewards of liberalization over the years of agonizing alteration has been the topic of intense debate in many empirical literatures. Some scholars believe these rewards have come, others think it is on the way, while yet another group believe it neither has nor will ever come. Those who give emphasis to trade liberalization also stress the necessity, as a minimum, for an established exchange rate system, cautious monetary and fiscal policies, good governance and a corruption-free

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1 Soludo et al, 2003; Oji 2003
administration of economic policies for trade liberalization to be effective in the long-run. Those against it point to time discrepancy of policy makers, doubts about losses and gains of liberalization processes, increasing barriers to trade by developed countries and unfair competition among other things. The debate rages on and thus far is still far from being decisive on either side. Notwithstanding the fact that the debate is yet to be concluded, policymakers in developing countries are practically being pushed to liberalize. Meanwhile, the gains and costs from the revolutions spun by globalization and integration of world trade are unevenly dispersed and it is not apparent that those who get the best benefits also have the highest cost. Rather to the contrary, evidence show that economies of developing countries often carry the burden of increased openness.²

The existing Nigerian trade policy document is one of the numerous drawn with strong focus on the global economy, displaying outward orientation in all aspects. Questions thus arise as to the implications of this for poverty reduction which is vital for comprehensive growth and development. It consequently becomes imperative to realize the degree to which trade policy can be used as a successful tool for poverty alleviation.

**This paper aims to evaluate the effectiveness of trade policy in promoting livelihood of the poor in Nigeria** by evaluating:

- The degree of strengthening or alleviation of the existing marginalization of the poor by trade policy.
- The instruments and provisions within trade to release the poor from the poverty plague.
- How trade can smooth the progress of growth with equity and a better allocation of national wealth for instance, by adding value to Nigeria’s primary products such as oil and agriculture products.
- How trade can facilitate the development or attainment of technology and enhancement of local capacities.
- How trade can facilitate investment in human capacity including education, health, food, housing, etc

The following sections will attempt to show the relationship between international trade and poverty issues, examine the views of operators in the real sector on the impact and

² Chukwuma Agu and Moses Oduh, (2005). Trade Policy, Gender and the Livelihoods of the Poor in Nigeria
possible directions of trade policy. This goes to contribute to the debate on the impact of international trade on poverty reduction using the experience of Nigeria.

The rest of this paper is organized as follows: Chapter two presents a global view of trade, economic growth and poverty focusing on theoretical and empirical links. Chapter three relates the relationship of trade, macroeconomic policy and poverty reduction to Nigeria’s experience and history. Chapter four discusses the present trade policies of Nigeria and finally, chapter five summarizes the key emerging issues and recommendations of this paper.
Chapter Two
Trade, Economic Growth and Poverty – Theoretical and Empirical Links

The basic argument is that international trade can play a powerful role in reducing poverty in the least developed countries as well as in other developing countries. But the national and international policies, which can facilitate this, must be rooted in a development-driven approach to trade rather than a trade-driven approach to development. An exclusive focus on trade, which assumes that poverty is reduced through trade rather than through development, is likely to prove counter-productive. Rather, it is necessary to look at the relationship between trade and poverty from a development perspective.

These were the opening thoughts of UNCTAD Least Developed Countries’ Report 2004 tagged “Linking International Trade with Poverty Reduction. Indeed, “Trade and Growth”, Trade and Development”, Trade and Poverty Reduction…” are all sub themes among many others of a major theoretical and empirical question that has tugged at the heart of economic debate since the publication of “Wealth of Nations” by Adam Smith. However, the clichés have multiplied with the push for reforms and liberalization of trade in various developing and transitional economies over the last thirty years. What therefore are the issues, what are the arguments and what are the alternatives in approaching international trade? Are there really any link between trade on the one hand and growth improvement in welfare and poverty reduction on the other? Are there really any empirical backings to the theoretical noise? Should UNCTAD and other groups, who hold the view that there is some sort of relationship between trade and poverty, be taken seriously? And why is the substance of the case made for or against trade liberalization and internationalization of trade as weapon for poverty reduction?

Certainly the connection between trade and poverty reducing growth is neither linear nor habitual. For developing Countries, many which form key targets for poverty reduction strategies and policies, UNCTAD 2004 attributes this to the technical and financial troubles related with developing a variety of new capabilities, institutions and services to adjust to the challenges brought about by changing international trade circumstances, rules and commitments. Additionally, exports are barely able to expand import capacity in many Least Developed Countries due to the structural shortages in their export basket which is
typically mainly mono-product (agricultural) with high instability in international demand and market prices. Under such situations, aid and private remittance become a key source of financing imports. Thus, the link between trade expansion and poverty reduction can be broken if increased trade is associated with decreases in aid or increase in debt service responsibilities. It has been preached that while national economies of most Least Developed Countries are greatly integrated with the rest of the world, the lives and livelihoods of the people are not so linked with the international economy. Compared to a number of other arguments both for and against trade liberalization as an instrument of poverty reduction, the UNCTAD stance could be considered quite benevolent. Some vigorous arguments have been raised to prove that international trade liberalization is the progenitor of poverty and that particularly for Least Developed Countries, there is no worse prevention to growth since the 1980s than the IMF/World Bank-imposed trade liberalization and associated reforms. Chang (2000) forcefully argues that the ‘bulk of today’s developed world did so under protectionist policies but would not allow present day least developed countries to grow with the same hedges they enjoyed’.

On the other hand, argued by the Stolper-Samuelson theorem and certainly by the whole range of neoclassical endogenous and associated theories, there have been anxious efforts by the pro-liberalization group to show that trade liberalization over the twenty years or more have led to higher growths in countries that ‘behaved’ while the non-compliers suffered terribly. The facts and figures range from the factual and linkable to the outright peculiar. This paper will briefly look at the arguments and facts on both sides of the argument.

The Australian International Development Agency website www.ausaid.gov.au clearly announced ‘No country that has closed itself off from world trade and investment has grown for long or reduced poverty’. It subsequently rolled out a lot of figures to support the assertion that free trade boosts the income of the poor and reduces global poverty as follows:

- A study of 73 developing countries, including China, India, Brazil, Mexico, Malaysia and Philippines, found that those countries increasing their openness to trade have grown on average faster than those that did not, and faster than most

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3 Chang (2002)
4 The Stolper-Samuelson (1949) theorem predicts that trade liberalization should lead to an increase in the remuneration of the relatively abundant factor of production in low and middle income countries (unskilled labour) with respect to the scarce factor (capital or skilled labour)
rich countries. Annual incomes in these countries grew an average of 5 per cent in the 1990s – significantly higher than previous decades. Notably, there countries reduced tariffs by an average of 34 per cent point since 1980, increasing their trade exposure. By contrast, economies that did not reduce tariffs experienced a lower average annual income growth of 1.4 per cent in the 1990s.

- Between 1993 and 1998 the number of people living in absolute poverty in developing countries that opened themselves to trade declined by 14 per cent. By contrast, poverty in developing countries that did not open themselves to trade rose 4 per cent between 1993 and 1998. Global poverty over the last two decade has reduced by some 200 million people, while school enrolment and life expectancy have increased.

The study divulged that at times free trade could inflict some costs as industries make alterations to contain greater international competition, but also promptly added that ‘other sectors prosper as a consequence of greater access to world markets and over time they absorb workers who lose their jobs elsewhere. Even for the very poor, freer trade especially in agriculture, allows them to buy basic goods more cheaply’. In a WTO ministerial roundtable meeting in London in 2001 and cited in the United Kingdom Department for International Development 2002 (DFID) background briefing, it was announced that ‘In recent decades, it is those countries which have seized the opportunity offered by more open world markets to increase exports and attract inward investment that have made the greatest strides in reducing poverty’.

**Linking Trade Liberalization to Poverty**

Theoretically the factors linking trade liberalization to poverty include the following:

1. *Changes in the price of Exports and Imports*

By reducing prices of imported goods while at the same time keeping the prices of import substitutes low, trade liberalization would be able boost the real incomes of the poor. It increases the accessibility of products that might be very critical to the poor such as basic food, pharmaceuticals or basic health products, clothing and other products. Likewise, by getting rid of export barriers, trade liberalization can increase the prices producers receive

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in addition to stimulating the production of exportable; thus leading to increase in employment and income of the poor. It can also allow the importation of new technologies and processes.  

2. **Vulnerability to External Shocks**

The poor are mainly awfully susceptible to external shocks and trade liberalization amplifies the likelihood of such shocks. Trade liberalization can make an economy more susceptible to external shocks for instance through sharp changes in the terms of trade which can turn the fate of a large proportion of the population especially when it affects such sector as agriculture. Whole generations can be thrust back into poverty and could also cause an intergenerational transfer of poverty to arise from such shocks particularly when it also leads to a drop in social spending.

3. **Factor Prices, Income and Employment**

It is assumed that shifts in resources cropping up from production rearrangement, based on comparative advantage, accompanying trade liberalization could have significant effect on income and employment. This occurs as the demand for traditional exports of the country increases leading to an increase in the real wage to those employed in the sector. The Stolper-Samuelson (SS) theorem envisages an increase in the real returns to the factors used on the production of a good when its relative price in the international market rises. However, in reality, there are quite a number of labour market inflexibilities that may make this prediction unfulfilled even when there is an increase in the relative price of a product.

4. **Government Revenue and Programmes for the Poor**

Revenue to governments from trade taxes frequently falls when tariffs are reduced. Soludo et al (2003) predicts such a drop for revenue in the event of latching on to the ECOWAS Common Economic Tariff. This has often reduced the competences of governments to invest in domestic infrastructure and offer support to domestic production hence, leading to the cutting down of social spending, which in turn negatively affects the poor. But this also does not have to be particularly so if competence of collection is enhanced, exemptions reduced or placing tariff on non-tariff products. Such development in collection competence can be the instant overcome of reduction in overall tariff rates. Besides, at the

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6 Winters et al, 2002
regional level, liberalization can lead to the giving up of the delivery of basic social services to non-national private sector operators which can additional have adverse effect to the poor. This can also lead to the dumping of surplus manufactured and agricultural products in developing countries by their more developed colleagues, unfavourable competition for government procurement by foreign firms at the expense of local producers...

The theoretical link is that the effect of liberalization on growth and poverty in a country depends decisively on the structure of its exports and imports. Frequently high export-oriented countries gain while high importers lose. This has been the case with countries in Sub-Saharan Africa including Nigeria, who have little to export and are experiencing deteriorating product prices but are obliged to liberalize their trade. These countries habitually end up with more foreign product leading to a balance of trade deficit. Following Nigeria’s membership to the WTO and reduction of tariffs and other commitments, imports as a proportion of GDP rose exponentially, infuriating its balance of payments and debt issues. Imports rose from 8.18 per cent of total trade to 37.4 per cent in 2001 with an all time high of 42.3 per cent in 1999. The anticipated increase in non-oil exports did not happen while imports flowed. The experience of Nigeria shows a flow in imports and with the exception of oil and gas, while there is little to export. Raising the question of how would the resources to finance the imports is generated if oil was not available? Efficiency and exporting are highly related because efficient firms exports. In a case where the supporting infrastructure and environment for efficient production is absent and the quality of human capital is low, liberalization will attract more imports than exports and this will have unfavourable effects on economic growth. The inefficient production process and the goods that originate from them cannot compete against international standards. An import regime without the capacity to raise resources from export is unsustainable either in the short or long run – classic case of the Dutch Disease.

The overall country experiences from the above study show that:

- Economic integration, counting trade liberalization is not a prerequisite for growth but rather often an outcome of it.

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8 Winters et al, 2002
• Countries have to manage their domestic institutional innovations and flexibility and not rely on international coercion to develop these if they are expected to grow.

• Poor countries with low social indicators generally export primary products (agricultural) with minute value added and these exports over and over again fail to raise skills, productivity or technological change. Wealthier countries, on the other hand, with high literacy and infrastructure are better placed to engage in production and trade that raises productivity, generating better human development and trade benefits. Still after liberalization, there are still a very small number who have managed to make a transition from one form of production and export to the other.

• Balance of payments problems created by premature and hasty liberalization worsen balance of payments problems, which contribute to debt and financial crisis. Further, continued indebtedness or financial crisis can hinder the ability of developing countries to trade. Debt reimbursement is known to divert resources from poor countries to rich and developed one and lowers the ability of governments to empower the poor.

• Ideally, mounting exports can encourage economic growth in a poor economy like Nigeria. It can increase the capacity utilization as external demand for exports rise: improve physical and human capital investment due to enhanced returns arising from new opportunities brought by transfer of technology or increases efficiency imposed on the domestic economy as a result of its exposure to the outside world; likelihood of export-enhanced type of industrialization in which the domestic labour-force up till now engaged in the agricultural sector will be integrated into semi-processed manufacturing activities; and improved balance of payment situation. But such export growth is the product of target strategies to improve on domestic productivity and enhance technological capacities and not of unguided liberalization.
Chapter Three
Trade Policy, Macroeconomic Performance and Poverty Reduction in Nigeria

Trade policy regimes in Nigeria have historically been more like responses to both positive and negative shocks in the world economy as they affect the country. Accordingly, the three distinct shocks Nigeria witnessed were followed by three different trade policy reactions. The first is the oil boom era immediately followed by the collapse of the oil boom and later the liberalization following the adoption of structural adjustment programme in the country. The oil boom came immediately after the Nigerian civil war and witnessed the Open General Licensing (OGL) with special import license on some items. There was a huge reduction in import duties for ‘essential commodities’ like food items (which prices rose during this period), raw materials and capital goods. The collapse of oil prices led to another regime of trade policy. This regime was to a great extent influenced by the difficulties associated with high indebtedness, balance of payments disequilibrium, and drastic drop in external reserves. These led to enactment of the Economic Stabilization (Temporary Provisions) Act in 1982. This period was one of the ad hoc trade measures. About 235 items were placed on compulsory license while another 49 had their tariff raised. For other goods, compulsory advance deposit became a condition for their importation. Beginning in 1988, and soon after the adoption of Structural Adjustment Programme (SAP), there were some attempts to systematize trade policymaking with the introduction of a seven-year (1988 to 1994) tariff schedule which followed the overall SAP framework. This regime tripled the tariff classifications from below 2000 lines to over 5000 lines, reduced tariff dispersions and weighted average tariff by about 10 basis points. Some attempts were still made to protect the domestic industries with higher tariff rates on agricultural and industrial imports that domestic substitutes. Raw materials and intermediate goods were allowed duty free while some surcharges for port development (5%), raw materials research and development council (1%), and freight rate stabilization surcharge (0.02%). The table below shows the trend in tariff rates between 1984 and 2001.

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9 soludo and Adenikinju 1997
10 Chukwuma Agu and Moses Oduh, (2005). Trade Policy, Gender and the Livelihoods of the Poor in Nigeria
11 soludo et al 2003
Table 1: Nominal Protection Rates Accorded by Customs and Excise Tariffs in Nigeria

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<td>Agricultural Goods</td>
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<td>31</td>
<td>23</td>
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<td>Manufactured Goods</td>
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<td>26</td>
<td>34</td>
<td>34</td>
<td>25</td>
<td>26</td>
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<td>Capital Goods</td>
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<td>21</td>
<td>17</td>
<td>16</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>Intermediate Goods</td>
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<td>22</td>
<td>26</td>
<td>31</td>
<td>18</td>
<td>22</td>
</tr>
<tr>
<td>Consumer Goods</td>
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<td>35</td>
<td>54</td>
<td>48</td>
<td>39</td>
<td>37</td>
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<td>Food, Beverages and Tobacco</td>
<td>43</td>
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<td>38</td>
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<td>Textiles, Leather</td>
<td>48</td>
<td>42</td>
<td>70</td>
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<td>43</td>
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<td>Chemicals, Petroleum</td>
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<td>19</td>
<td>21</td>
<td>28</td>
<td>15</td>
<td>19</td>
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<td>Metal Products, Machinery</td>
<td>30</td>
<td>20</td>
<td>22</td>
<td>22</td>
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<td>20</td>
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<td>Basic Metal Industries</td>
<td>29</td>
<td>17</td>
<td>26</td>
<td>34</td>
<td>16</td>
<td>20</td>
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Source: Soludo and Adenikinju, 1997:15; Soludo et al 2003

After the first seven year tariff book in 1994, another one was prepared to take effect from 1995 till 2001. The goal of second seven year schedule was a simpler, more transparent, predictable and consistent tariff/trade policy. It also intended to boost competition particularly for domestic producers of consumer goods and motivate investment in raw material and capital goods. Some of the characteristics of the second tariff schedule include\textsuperscript{12}:

a) A tariff schedule including 5,147 tariff lines ranging from 0-100 percent, with 19 tariff bands, with \textit{un-weighted} average tariff of about 26 per cent and a weighted average of about 20 per cent (see table 1)

b) A narrower range of customs duty rates, with less dispersion and lower, uniform average rates. Indeed, about 70 per cent of the total tariff lines range between 5 and 30 per cent, and the un-weighted average tariff was about 24 per cent compared to the 33 per cent in 1994.

\textsuperscript{12} Soludo et al 2003
c) Abolition of exemptions from the rate structure and review of import regulations to plug loopholes.

d) Reduction of import prohibition list; unauthorized importation of prohibited items to attract 150 per cent duty; list of excisable products reduced and targeted at the most important contributors.

e) De-regulated (largely market-determined) foreign exchange market.

In general, trade policy in Nigeria since the 1970s has not been known to follow any systematic framework in particular. Both the development and results of trade policy have lacked credibility and predictability. Relative abundance of resources in the 1970s coupled with the prevailing protectionist economic thinking of the period to give rise to import substitution industrialization strategy. This was complemented with protectionism as the new firms demanded for protection under ‘infant industry’ arguments. Subsequently, Nigeria’s trade policy became too restrictive with very high tariff walls and an excess of non-tariff barriers. Soon, the government also realized that trade taxes could be a major source of revenue generating more than 10 per cent of total revenue and 40 per cent of non-oil revenue to government. This was made the more so owing to the weakness of other non-oil sources of revenue to government.

The preceding scenario led to a number of significant institutional developments in both the trade and macroeconomic environment in Nigeria. For instance, the significance of trade taxes in total government revenue led to the domestication of the powers to control tariff rates and implementation in the Federal Ministry of Finance instead of the Ministry of Commerce or Industry. Thus, both the Nigerian Customs Service and other agencies concerned in revenue collection at the ports report to the Ministry of Finance rather than the Ministry of Commerce. The consequence of this arrangement becomes very obvious in the view of the poor organization that characterize public sector policy making and control. The objective functions of the ministries often conflict. For instance, not rarely has the Ministry of Finance given target resource mobilization to the Custom service which could work against waivers and other trade procedures established by the Ministry of Commerce or work against the objectives of rapid industrialization pursued by the Ministry of Industry. Oftentimes therefore, the revenue implications of tariff changes are emphasized at

13 Soludo et al 2003
the expense of tariff being used as a tool for overall economic development. In fact this could be linked to another problem in the system. The industrial policy of the country has over time been highly disjointed with trade policy and more often than not, industrialists blame the country’s trade policy for the woes of the sector.\textsuperscript{14} Another major consequence of the structural disparity in trade policy design in Nigeria is the weak tax system. The stress on revenue from tariff was not matched with comparable emphasis on other non-oil source of revenue for government. This led to a fundamentally frail income and other tax systems.

While importance is placed on the quantum of revenue collected from tariff, there have not been corresponding efforts to develop on the efficiency of collection. The consequence is that the system became burdened with all types of irregularities that worked against overall economic growth. The years of restrictions also included quotas and other frequently arbitrarily unwavering non-tariff barriers that embedded benefaction and corruption in Nigeria Customs Service and other systems that are commended with tariff and trade policy implementation. Nevertheless, trade liberalization in the 1990s failed to resolve all the problems connected with corruption. Although non-tariff barriers have reduced drastically, there are still many exemptions in latter trade regimes. In addition, due to the corruption that has been in the core of the system, collection efficiency of tariff revenue has been very low. The exemptions are often subjectively administered with irregular authorizations from multiple ministries. This merges with other administrative irregularities coupled importers’ tariff evasion to lead to low collection efficiency. Consequently, as can be seen from the table below, while average tariff rates could be as high as 30 percent for some years, tariff revenue as a ratio of imports (a crude measure of collectible revenue) was around 10 per cent for most years since liberalization and for such years as 1995, it was as low as 5 per cent.\textsuperscript{15}

\textsuperscript{14} Chukwuma Agu and Moses Oduh, (2005). Trade Policy, Gender and the Livelihoods of the Poor in Nigeria
\textsuperscript{15} Skoup and Company 2002; Soludo et al 2003
Table 2: Tariff Revenue as a Proportion to total Government Revenues in Nigeria

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<tbody>
<tr>
<td>Total Imports (Nb)</td>
<td>9.10</td>
<td>7.06</td>
<td>755.14</td>
<td>837.42</td>
<td>862.53</td>
<td>962.97</td>
<td>1357.70</td>
<td>1580.53</td>
<td>1956.11</td>
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<tr>
<td>Total Govt Revenue (Nb)</td>
<td>15.23</td>
<td>15.05</td>
<td>459.99</td>
<td>463.61</td>
<td>949.19</td>
<td>1906.16</td>
<td>2231.53</td>
<td>1731.83</td>
<td>2575.10</td>
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<td>Govt tax revenue (Nb)</td>
<td>2.88</td>
<td>4.13</td>
<td>135.44</td>
<td>174.08</td>
<td>224.77</td>
<td>314.48</td>
<td>-</td>
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<tr>
<td>Actual tariff Revenue (Nb)</td>
<td>1.81</td>
<td>2.18</td>
<td>37.36</td>
<td>57.68</td>
<td>87.91</td>
<td>101.52</td>
<td>170.6</td>
<td>181.4</td>
<td>195.5</td>
</tr>
<tr>
<td>Ratio of actual tariff/Non oil Rev (%)</td>
<td>62.96</td>
<td>52.91</td>
<td>27.59</td>
<td>33.14</td>
<td>39.1</td>
<td>32.55</td>
<td>32.55</td>
<td>36.21</td>
<td>39.03</td>
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<td>Tariff to Total govt Rev (%)</td>
<td>11.90</td>
<td>14.51</td>
<td>8.12</td>
<td>12.4</td>
<td>9.26</td>
<td>5.33</td>
<td>7.64</td>
<td>10.47</td>
<td>7.59</td>
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Source: Calculated from Central Bank of Nigeria’s Annual Report and Statement of Accounts.

On the whole, trade policy in Nigeria has failed to aid industrial growth. Moreover, the previous point made about clash between industrial and trade policies, the manufacturing sector has continued to decrease particularly since the liberalization of trade. Certainly, the conflicts take place on account of the difference in objective function between trade and industrial policies. Trade policies over time have been sways largely by revenue and balance of payments considerations. As a result, grievances from industrialists or manufacturers on any negative impact of trade polices on the sector’s performance are outstanding issues and often dealt with in an ad-hoc manner.

The discrepancy between industrial and trade policies in Nigeria also showed in the relative input and output of the manufacturing sector. It was impossible to use harmonized trade and industrial policies to guarantee successful industrialization of Nigeria. The manufacturing sector continues to have a larger share of the country’s total imports without appropriate share in value added. Historically, the sector’s share of total imports has always been above 50 per cent. In fact, it ranged between 56 per cent and 77 per cent between 1980 and 2002. Meanwhile, the sector has time after time contributed less than 10 per cent of total value added in the economy except in 1982 when it went marginally up to 100 per cent. During the liberalization period, even the little gains and its share in total value added fell significantly and at present stands below 6 per cent, way below the sub Saharan Africa...
average of 17 per cent. For numerous other countries, manufacturing imports is always a major share of total imports. However, for those countries too, manufacturing value added is also a very high proportion of total value added. The table below shows the size of the manufacturing sector both imports and share in GDP for some country groupings.

Table 3: Shares of Manufacturing in GDP, Exports & Imports 1997 (percents) in Different Regions of the World

<table>
<thead>
<tr>
<th>Classification</th>
<th>GDP</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower middle Income</td>
<td>29</td>
<td>57</td>
<td>70</td>
</tr>
<tr>
<td>Upper middle income</td>
<td>21</td>
<td>54</td>
<td>77</td>
</tr>
<tr>
<td>East Asia and the Pacific</td>
<td>33</td>
<td>72</td>
<td>75</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>-</td>
<td>53</td>
<td>66</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>21</td>
<td>46</td>
<td>79</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>14</td>
<td>19</td>
<td>68</td>
</tr>
<tr>
<td>South Asia</td>
<td>19</td>
<td>76</td>
<td>54</td>
</tr>
<tr>
<td>Sub Saharan Africa</td>
<td>17</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>High Income</td>
<td>21</td>
<td>81</td>
<td>75</td>
</tr>
<tr>
<td>Nigeria</td>
<td>6.3</td>
<td>0.52</td>
<td>62.2</td>
</tr>
</tbody>
</table>


A lot of stakeholders have been concerned, and correctly so, about the effect of the successive liberalization on the manufacturing sector. The Manufacturers’ Association of Nigeria (MAN) has never concealed its disapproval for the liberalization programme of federal the Government given what they believe its negative effect on the real sector. Oji (2003) acknowledging this negative impact reproduced part of a report by the Manufacturers Association of Nigeria (MAN) to support the explained, that unjust competition brought on by liberalization handicaps domestic firms:

“The full-throttle liberalization of trade has given rise to massive inflows of all manner of finished products from industrialized countries of the West and Asia, including second-hand and used products (textile, footwear, automobiles and motor cycles, fridge and air-conditioners); sub-standard and fake products (e.g. pharmaceuticals, cosmetics and
toiletries, electrical materials and foods). The situation is not helped by rampart dumping, smuggling and under-invoicing through which the various products are brought into the country and necessary duties evaded”.

A propensity particularly amid policy makers will be to dismiss statements such as the above as mere suggestions or response of discontented elements. Nevertheless, additional trade liberalization can only be sensible if it is established that preceding ones have had even if only slight positive effect on the real sector. *There is not yet many studies that have been able to prove that trade liberalization benefited the industrial sector.* In contrast, subjective evidence shows otherwise as the sector has increasingly lost value added with successive liberalization of trade. Table 4 sums up the trade regime and sectoral value added over the period, 1975 to 2000.

**Table 4: Tariff and Growth of the Real Sector in Nigeria**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth</td>
<td>6.26</td>
<td>-3.79</td>
<td>4.43</td>
<td>2.94</td>
</tr>
<tr>
<td>Manufacturing Value Added/GDP</td>
<td>10.76</td>
<td>8.54</td>
<td>8.03</td>
<td>6.26</td>
</tr>
<tr>
<td>Growth of Manufacturing Value-Added</td>
<td>23.74*</td>
<td>7.41</td>
<td>2.54</td>
<td>-0.19</td>
</tr>
<tr>
<td>Agric Value Added/GDP (%)</td>
<td>-</td>
<td>35.34</td>
<td>39.80</td>
<td>39.63</td>
</tr>
<tr>
<td>Industry/GDP (%)</td>
<td>-</td>
<td>24.1</td>
<td>21.37</td>
<td>18.77</td>
</tr>
<tr>
<td>Building &amp; Construction/GDP (%)</td>
<td>-</td>
<td>3.4</td>
<td>1.95</td>
<td>2.033</td>
</tr>
<tr>
<td>Trade/GDP (%)</td>
<td>-</td>
<td>13.5</td>
<td>12.99</td>
<td>11.76</td>
</tr>
<tr>
<td>Service/GDP (%)</td>
<td>-</td>
<td>21.8</td>
<td>23.91</td>
<td>27.69</td>
</tr>
<tr>
<td>Growth of Agriculture Value Added</td>
<td>-</td>
<td>2.59</td>
<td>3.81</td>
<td>4.43</td>
</tr>
<tr>
<td>Manufacturing/Non-oil Export (%)</td>
<td>11.79</td>
<td>15.61</td>
<td>12.13</td>
<td>-</td>
</tr>
<tr>
<td>Non oil/Total Exports (%)</td>
<td>14.91</td>
<td>3.41</td>
<td>4.54</td>
<td>2.33</td>
</tr>
<tr>
<td>Manufacturing/Total Export (%)</td>
<td>2.17</td>
<td>0.41</td>
<td>0.37</td>
<td>0.65</td>
</tr>
<tr>
<td>Average tariff (%)</td>
<td>Over 50</td>
<td>33.6</td>
<td>33.53</td>
<td>26.7</td>
</tr>
</tbody>
</table>

Note: *Calculated with data for 1977-79

Source: Calculated with data from the Central Bank of Nigeria’s Annual Report and Statement of Accounts.
The table illustrates that the real sector did far better during the years of restricted trade regime than the latter (liberalized trade) years. Following the debt crisis, the President Buhari regime literally prohibited all forms of imports, pegged the exchange rate and placed quotas basic commodities. Astonishingly, on the whole the performance of the economy was not much worse. But subsequent year following the introduction of the SAP showed extremely lowered growth of manufacturing value added, which continued rapidly down until it became negative between 1995 and 2000.

It is difficult to say with confidence the degree that the poor performance of the manufacturing and agricultural sectors has been as a result of trade liberalization. Over the liberalization years, not one leading sector has materialized for which the data could be taken as a model regardless of the fact that nominal protection to the sub sectors have varied. Although, it must be said that trade liberalization in Nigeria has to a large extent comprised of marginal drop in tariff rates. A number of other obstructions to trade and business at the ports are still on the rise.

Table 5: Nominal Protection Accorded by Nigerian Tariff Rates and Total Factor Productivity of Nigerian Manufacturing Sub Sectors

<table>
<thead>
<tr>
<th>Category</th>
<th>Nominal Protection</th>
<th>Total Factor Productivity Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food, beverages and Tobacco</td>
<td>38.33</td>
<td>-0.6</td>
</tr>
<tr>
<td>Textile, Leather</td>
<td>49.67</td>
<td>-4.6</td>
</tr>
<tr>
<td>Paper, Printing Materials</td>
<td>22.67</td>
<td>-4.1</td>
</tr>
<tr>
<td>Chemicals, Petroleum</td>
<td>21.83</td>
<td>1.12</td>
</tr>
<tr>
<td>Metal products, Machinery</td>
<td>21.83</td>
<td>-3.7</td>
</tr>
</tbody>
</table>


Trade Policy and Poverty in Nigeria
Nigeria is among the 20 poorest countries on earth. Its poverty is deep, widespread, pervasion and deterioration. The whole landscape literally stinks with lack and scarcity. Between 1980 and 2001, the percentage of Nigeria’s population in dare poverty has increased from a sheer 26 per cent to about 70 per cent. There are of course minor debates
about the precise poverty numbers, the authenticity of the methodology of the poverty survey etc, but there are no questions as to the fact that poverty has exacerbated over the last twenty years. Nigeria’s per capita GDP has dropped by more than one third while population has grown exponentially around 3 per cent a year over the period. The table below shows the trends in poverty over the last two decades.

**Table 6: Poverty Trends in Nigeria (% of Population in Deep Poverty)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26</td>
<td>46</td>
<td>43</td>
<td>65</td>
<td>70</td>
</tr>
</tbody>
</table>

Source: FOS Estimates

An outstanding fact about Nigeria’s kind of poverty is that it is in the midst of plenty (WB 1996). Nigeria is the 6th largest producer of oil in the world and over a period of three decades has earned over US$350 billion from oil exports. Yet, it is the poorest OPEC member country. Thus, in the view of Soludo et al (2003B), Nigeria has no business being poor. One thing however that is apparent is that a great deal of the earnings from oil was misspent on uncontained lifestyle by those with political power. Corruption has progressively developed in capacity and articulacy until Nigeria attained the exceptional achievement of being rated the world’s second most corrupt country. Rent-seeking and other vices practically handicapped ingenuity and Nigeria has a very heavy debt overhang with consolidated domestic and foreign debts standing at about 150 per cent of Nigeria’s GDP. Policy discrepancy predominantly over the last twenty years has lessened public spending and investment in the social sector to bare zero. Therefore, the educational system is rapidly losing its significance as the equalizing factor in the society and posing the threat that poverty in Nigeria can be ‘dynastic’ i.e. children of the poor having the tendency of ending up poor. The poor also suffer the worst of lack from even the little available public utilities especially with the current privatization programme of the government.¹⁶

An additional trait of poverty in Nigeria is its diversity and extremity across the states of the federation. Nigeria is an extremely diverse country and so is the occurrence of poverty across the country. The Central Bank of Nigeria (CBN) 1998 poverty survey results, the

¹⁶ Chukwuma Agu and Moses Oduh, (2005). Trade Policy, Gender and the Livelihoods of the Poor in Nigeria
proportion of the population whose consumption is less than the poverty line is about 34 per cent. However, this varies from one state to another. For some states like ‘Abia and Anambra States, the proportion is about 14 per cent and 16 per cent respectively, while for others like Bauchi, Gombe, Jigawa, Kebbi, Sokoto, Zamfara states, proportion of people living below the poverty line is close to 60 per cent. Poverty is relatively more concreted in the Northern parts of Nigeria. Almost all the states with poverty levels above 50 per cent are in the North and this concentration of extreme poor in the North have continues to show up all poverty surveys in the country.’

The challenge posed by such broad allocation and outreach of poverty is that anti-poverty programmes, to be successful, have to be geographically targeted.

In discussing the connection between trade and poverty in Nigeria, an appropriate first point will be to differentiate between correlation and causation. Many authors simply attribute deteriorating poverty in Nigeria to trade liberalization in a causal relationship however cautiously skip the meticulous evidence needed to ascertain such causality. It has to be recognized yet again that the connection between trade and poverty is neither linear nor automatic. There have been parallel movement between liberalization of trade and deterioration of poverty, however, at this point it may be difficult to conclude that trade liberalization is the main cause of poverty. Numerous factors, plus institutional, structural and political processes have continued to interrelate to influence human development. It is a fact that job losses in the textile sector as firms were incapable of competing with cheap alternatives (mostly second hand clothing) and the fall in agricultural prices as imported food items submerge the domestic market are examples of the depressing effect of trade liberalization that deprive the people. It is not possible to attribute the epileptic energy circumstances in Nigeria, rundown and dishevelled infrastructure and insufficient attention to schools and hospitals which also led the poor to trade liberalization although there may be probable results of the larger range of structural adjustment and socio-economic restructuring.

An evaluation of Nigeria’s poverty reduction programmes since independence shows a quite unsatisfactory result. From the National Development Plans to SAP and PRSP, the affirmed purpose has always been to shrink poverty. But this has always been

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17 The Central Bank of Nigeria (CBN) 1998 poverty survey
unsuccessful due to several reasons which include: lack of appropriate Statistics for successful planning; institutional contention and divergences owing to duplication of objectives, corruption at all levels of society; no successful long-term plans for the nourishment of the programmes; etc. The general result is hung disaster in delivering essential services to the people and the increasing frequency of poverty. The most recent of these is the effort by President Obasanjo administration in setting and meeting poverty reducing targets through National Poverty Eradication Programme NAPEP. The degree of accomplishment of some of these targets set in 1999 is evaluated in table 7.

Table 7: Evaluation of National Poverty Eradication Programme (NAPEP)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Targets</th>
<th>Achieved as at 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth Rate (%)</td>
<td>10</td>
<td>3.2</td>
</tr>
<tr>
<td>Poverty Incidence (%)</td>
<td>30</td>
<td>70.2</td>
</tr>
<tr>
<td>Inflation Rate (%)</td>
<td>3-5</td>
<td>14</td>
</tr>
<tr>
<td>Gainfully employed (%)</td>
<td>70</td>
<td>Probably worsened</td>
</tr>
<tr>
<td>Maternal Mortality (per 100,000 live births)</td>
<td>800</td>
<td>1000</td>
</tr>
<tr>
<td>Infant Mortality (per 1,000 live births)</td>
<td>78</td>
<td>77</td>
</tr>
<tr>
<td>Population access to Electricity (%)</td>
<td>100</td>
<td>50</td>
</tr>
<tr>
<td>Household access to Electricity (%)</td>
<td>80-100</td>
<td>No data: some improvement</td>
</tr>
<tr>
<td>Children fully immunized (%)</td>
<td>100</td>
<td>17</td>
</tr>
<tr>
<td>Functional telephone lines/1000</td>
<td>30</td>
<td>4</td>
</tr>
<tr>
<td>Adult Literacy rate (%)</td>
<td>80</td>
<td>53</td>
</tr>
<tr>
<td>Life expectancy rate (%)</td>
<td>60</td>
<td>52</td>
</tr>
<tr>
<td>Increase capacity utilization of the manufactur sector (%)</td>
<td>50</td>
<td>40</td>
</tr>
<tr>
<td>Reduction in Population (%)</td>
<td>2</td>
<td>2.8</td>
</tr>
<tr>
<td>Corruption</td>
<td>Minimal</td>
<td>Ranked 2nd from the results of Transparency International</td>
</tr>
</tbody>
</table>

Other problems of poverty related programmes of government include:
Lack of aiming instruments for and focus on the poor
Numerous policy alterations and contradictory execution have prohibited continuous progress and created a climate of improbability, resulting in most operators having very short-run perspectives of the objectives of the programmes.
Sever budgetary, management and governance problems have bothered these programmes, resulting in incomplete, worn-out, un-staffed and under equipped facilities.
Insufficient harmonization of the various programmes has resulted in each institution carrying out its own activities with little regard for activities run by other institutions, leading to substantial replication of labours and unproductive use of limited resources.
The ranges of the activities of most institutions are too broad and too disperse; as a result, resources are too thinly spread in across various activities. For example, both the directorate for Foods Roads and Rural Infrastructure and Better Life Programme covered almost every sector and overlapped with many other existing programmes.
Due to lack of participation of recipients in the formulation and execution of programmes, recipients do not recognize themselves adequately with these programmes and do not keenly support them, either in the form of local resource contribution or in identifying themselves with the sustainability of the programmes.
Chapter Four
The Present Trade Policy in Nigeria

Present Trade Policy – An Overview
The present trade policy is the Nigerian Trade Policy of 2002, divided into six sections as follows:

- Section 1: Introduction
- Section 2: Trade Policy Framework
- Section 3: Sectoral Policies
- Section 4: Trade Support Infrastructure
- Section 5: Responsibilities of (Public and Private Sectors)
- Section 6: Institutional Framework for Policy Implementation

The introduction of the policy document presents the domestic and international context within which the policy was drafted. It emphasized the vital role of globalization and other developments in the global trade sphere in determining the policy, principally, the coming into effect of the WTO in 1995 which to a large extent currently influences international trade. It also emphasized the need for flexibility in the implementation of international best practices as a necessity for success and growth in Nigeria’s trade.

Section 2 Article 2.1 of the policy document states that the policy shall “encourage production and distribution of goods and services to satisfy domestic and international markets for the purpose of achieving and accelerating economic growth and development”. The fundamental objectives of the policy include:

- Integration of the Nigerian economy into the global market through the establishment of a liberal market economy;
- Promotion and diversification of exports in both traditional and non traditional markets;
- Progressive liberalization of the import regime to enhance competitiveness of domestic industries;
- Effective participation in trade negotiations to enhance the achievement of national economic gains in the multilateral trading system, as well as regional and bilateral agreements;
• Promotion and development of domestic trade including intra state and inter state commerce;
• Achievement of accelerated economic growth and development through trade within a network of public-private sector partnership;
• Promotion of the transfer, acquisition and adoption of appropriate and sustainable technologies to ensure competitive export oriented industries;
• Attraction of foreign capital inflow into export oriented production through special incentive packages and domestic support;
• Promotion of regional integration and cooperation; and
• Effective utilization of information and communication technology in electronic commerce.

Within the scope of the trade policy, the role of the government was redefined as a facilitator. Government is expected to extricate from business and let the private sector take over the engine room of the economy and ensure economic growth. The macroeconomic structure is expected to maintain the deregulation of interest and exchange rates, guarantee fiscal discipline, decrease the debt burden and liberalize the trade system. The government is also expected to run an open rule-based, market oriented economy that would give full fortification for private rights and boost domestic production. The policy proposes to affect trade in such a way as to reduce the reliance on oil by encouraging the production and export of non-oil commodities. The policy targets economic growth rate of 7 per cent within the medium term fuelled by non-oil exports, which is expected to grow by 25 per cent.18

The policy foresees an increase in oil reserve to 40 billion barrels and a rise in productive capacity to 4 million barrel per day. It also try to add value to crude oil through processing before exporting and fully link up the oil sector to other part of local economy. Essentially this seeks to attack the cooperative nature of oil production, marketing and distribution.

Trade promotion is to be designed as an integral part of government’s poverty reduction programme. The policy holds that trade liberalization involves both import and export liberalization and intends to promote exports by:¹⁹

- Enhancing the marketability of exportable through product diversification standardization and quality improvement;
- Strengthening and improving the institutional framework for providing better support services to exporters and export oriented industries;
- Establishing backward linkage between export oriented industries and primary sectors for the utilization of local raw materials;
- Attracting increased number of entrepreneurs for setting up export oriented industries and encourage them through the provision of suitable incentive packages, as well as appropriate human resource development programmes for the promotion of entrepreneurial and management skills in the context of a competitive international environment;
- Expanding and consolidating existing export markets as well as create new markets for Nigerian exports;
- Ensuring the removal of procedural and regulatory bottlenecks incompatible with the attainment of the objectives of a dynamic export promotion policy;
- Promoting programmes for developing export-oriented knowledge based resources, including computer software, electronic commerce, engineering and consultancy services;
- Diversifying and increasing export of high value added manufactured product that depend on the natural resources where Nigeria has comparative advantage;
- Encouraging the acquisition and adaptation of environment friendly technologies to ensure that Nigerian products meet the required international standards;
- Establishing border markets to promote legal trading across Nigeria’s borders and so discourage smuggling; and

The import policy is based on the progressive liberalisation of the trade regime thereby encouraging efficiency and competitiveness of domestic industries and eliminating pointless protection (Article 2.6). The policy endeavours to remove quantitative trade restriction measures in line with WTO in all traded goods and service while safeguarding the genuine interest of domestic producers against unfair trade practices. The policy will check the importation of injurious goods and services and thereby protect the social morality, plant and animal life and physical environment of Nigeria. The policy promises an efficient and transparent tax system, disciplined customs administration, effective commercial courts, improvements in infrastructure and the financial system, etc.

Given that the economy is expected to be driven by private sector initiatives and competition, the policy foresees the development of a competition policy and an agency to deal with all forms of anti-competitive practices, mergers and acquisitions. It campaigns privatization, macroeconomic reforms especially in fiscal, monetary, taxation and tariff policies to effectively tackle the twin problems of high interest and inflation rates. According to the policy, other strategies and measures to enhance the investment and general business environment include:

- Liberalisation that recognizes the need to protect domestic industries from unfair trade practices; promotion of conducive investment for foreign investment;
- Control of dumping and the establishment of the Anti Dumping Commission;
- Control of smuggling;
- Guarantee of fair and adequate returns on investments;
- Promote inter-sectoral linkage between trade and other sectors of the economy;
- Strengthening of the legal and regulatory frameworks of guidelines, standards, procedures and measures to manage bankruptcy, acquisition, mergers, intellectual property, integration of the informal sector into the economic mainstream, inspection and monitoring arrangements etc.

The policy gives special attention to agriculture, industry and service. For agriculture, the policy dealt with such critical issues as priority areas of export promotion, agriculture trade development especially in relation to the provision of enabling environment, industrial and commercial agriculture, liberal and efficient tariff system produce inspection and quality
control and the establishment of agricultural trade information bureau. For industry on the other hand, the policy’s main objective is to stimulate competition and promote investments in Nigeria with a bias towards the export market while also developing the skills and capacity to complete with imports in the domestic market. The policy also recognizes the inseparable link between trade, investments and industrial policy, but promises to pay priority attention to export promotion, new initiatives in trade policy, product tracking, creation of market niches, trade in technology and e-commerce. It also addresses research to industry linkage, anticipatory market development, transit trade, short-term capital financing for exporters and solid minerals development.

Section four outlines trade support infrastructure provisions of the trade policy to include the elimination of distortions and provision of international standard service to producers and exporters. The document envisages a drastic reduction in the domestic transaction costs to facilitate international competitiveness of export products from Nigeria. The provisions include trade information service, customs, quality certification and control, improvements in banking and insurance services, promotion of distributive trade, control of trade malpractices, weights and measures, provision of border free zones, trade documentation and procedures, bonded warehouse, among others.

The policy further provides for export incentives including the export development fund, export expansion grant fund, duty drawback scheme, pioneer status, capital assets depreciation allowance, investment tax credit scheme. Other incentives include tax relief, interest income, rediscounting of short term bills, and retention of export proceeds, export credit guarantee and insurance scheme, manufacture-in-bond scheme, counter trade arrangements/buy back scheme. The policy also provides for free trade zones/export processing zones and trade statistic and data bank.

Section five deals with institutional and administrative framework for the implementation of the policy, it allocates duties among the various tiers of government and the private sector. The document itself acknowledges that this is a novel factor in trade policy design in Nigeria, as previous documents did not explicitly provide for such institutional framework. The section charges the Federal Government with the provision of general policy framework for the development of trade, coordination of data on trade and facilitation of research into all facets of trade; advise on tariff and pricing policy for
agricultural produce, minerals, industrial products and services; promotion of the sale of exportable agricultural and industrial products; maintenance of a reasonable flow of resources into trade development by way of matching grants, subventions and investments projects and facilitating resource flow other sources; training of manpower (inspectors, export developers and import management experts) for trade development; and promotion of appropriate technology in preservation, processing, packing, quality control, standardization, storage, financing, risk-bearing, market intelligence, transportation and market structures, through the development of prototypes and pilot projects as a follow-up to research inventions. State Governments are charged with the promotion of primary production of all items of export-oriented agricultural and industrial products; training of manpower for trade growth and development; establishment of appropriate institutions for purposes of price stabilization; and investments in access road, water supplies and electricity in the localities where these tradable products for purposes of price stabilization; and investments in access road, water supplies and electricity in the localities where these tradable products are obtained. Local Governments Councils are expected to support states and progressively take over such functions for the States as the provision of an effective trade extension service; provision of site infrastructure; mobilization of traders for accelerated trade development through cooperative organizations and community associations; provision of assistance in data collection at the primary level; and construction, management and maintenance of local markets to enhance trade.

The private sector on the other hand is the major driver of trade and so is expected to drive the realization of the objectives of the trade policy. Its leading roles are in the areas investment in all aspects of production of tradable commodities; storage, preservation, packaging, processing and other marketing functions; input supply and credit disbursement; provision of certain types of tax-deductible site infrastructure; and support for research in all aspects of trade development; and organization of training workshops, trade fairs and trade missions to promote innovation and wider participation of their members.

Section 6 of the Trade Policy recognizes the establishment of the following bodies:

- National Focal Point on Multilateral Trading Matters;
- Trade Policy Advisory Committee to coordinate policy formulation and negotiations among relevant government ministries;
The section also makes provisions for other support bodies both in the public and private sector. For example, the policy also envisages commercial officer services, trade related bodies like the Nigerian Export Promotion Council, Nigerian Export Processing Zones Authority, Nigerian Investment Promotion Council, Standards Organization of Nigeria etc. Also stakeholder consultations are expected to make inputs into trade policy while an Economic Policy Coordinating Committee is to facilitate the realization of government’s economic and fiscal goals as it relates to trade policy. The Manufacturers Association of Nigeria; National Association of Chambers of Commerce, Industries, Mines and Agriculture and other private sector operators are expected to play key roles in trade policy implementation. The Trade Policy ends with an action plan and implementation strategy, which identifies problems, recommends solutions/implementation strategies and incorporates a time frame as well as the implementing agencies.

Source: (Agu Chukwuma and Moses Oduh (2005), Trade Policy, Gender and Livelihoods of the Poor in Nigeria. Background Paper Prepared for the Nigeria Trade Network with Support from Oxfam GB and UNIFEM)

Gap in the Existing Trade Policy
Some of the straightforwardly identifiable gaps in the existing trade policy include;

The Focus
The first objective of the policy is to integrate the Nigerian economy into the global economy through the establishment of a liberal market economy. This idea could be deceptive. What is essential is not a link of the Nigeria economy to the world economy as such, (because by the contemporary trading relations, Nigeria is already linked) however, a framework for the reform of the terms, processes and procedures that notify the linkage. This will guarantee not just free trade, but fair trade as well as sustainable development for
the country. The objective of fairness in trade habitually link up to the poverty question with the probability that fair trade will reduce poverty.

**Poor Link between Trade and Industrial Policies**

There is modest if any effectual link between trade and industrial policies in Nigeria. Such link should be able to deal with the effects of the latter on the performance of the former and how policymakers propose to deal with the problems of poor hold up infrastructure that elevate the cost of doing business. This is connected to the question of diversification of the nation’s productive base away from oil. Incentive and packages to attract investments in new refineries and petrochemical plants would have been an absolute way of adding value to oil exports and providing linkages of the oil sector to other sectors of the economy. The fact that five years after the policy, Nigeria is still importing refined petroleum products is an indication in the direction of such harmonization failure. The projected diversification may never happen at this rate. The economy’s reliance on oil has risen over the last five years of the implementation of the policy.

**Poor Implementation Record**

These discrepancies show up in operation record where the policy has again scored very low. This is evident in the following areas;

- While under trade endorsement, the policy projected to reduce poverty by 50 per cent calculated from the policy point of reference year in 2005 and raise employment between 60 per cent and 70 per cent. It is important to note here that both poverty and unemployment have worsened.

- Some important laws, policies and agencies like Anti-trust and competition laws, anti-dumping agency and bankruptcy commission contempt under the policy for trade facilitation have not been established.

- Already established agencies like the Standards Organization of Nigeria are yet to meet their mandates of enforcing standards. The Export Processing Zones Authority and Nigeria Investment Promotion Council are also yet to attract sufficient investments in their respective area of authority.

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20 Agu Chukwuma and Moses Oduh (2005), Trade Policy, Gender and Livelihoods of the Poor in Nigeria. Background Paper Prepared for the Nigeria Trade Network with Support from Oxfam GB and UNIFEM
• The projected bottom-up empowerment approach of stakeholder and civil society to demand accountability are yet to be realized as policy implementation has barely sought their inputs and there is no synchronized support from government to help them build critical analytical skills to assess trade policy implementation.

• The macroeconomic reforms necessary for the successful implementation of trade policy have not been placed.

• There has also been a discrepancy in the implementations of the provisions of the trade policy itself. For example, between 2000 and 2004, the country has moved from pre-shipment inspection to destination inspection and is in the process of reverting to pre-shipment inspection.

Effectiveness of Trade Policy Instruments
Governments at all time in Nigeria have been very involved in the use of instruments of trade policy. The instruments in use and degree of their employment have also varied extensively depending on the objective purpose sought to be exploited by the government. Some of the most common objectives over time comprises of balance of payment stability, utmost use of government revenue, encouragement of economic growth, improved employment of human and material resources, in addition to fortification of infant industries, which although should be an intermediate aim, frequently ends up being an end itself. Simultaneously, some of the most regularly used instruments consist of import prohibition/licensing, export incentives (rebates, tax holidays, export processing zones etc), exchange rate and tariff. Of these, modifications in tariffs and connected taxes and waiver have been inclined to be the most important.

Nevertheless, historically, the success of the use of trade policy instruments by the Nigerian government has been under severe scrutiny. There is deep belief that the policy instruments have not been generally effective. This owes to a number of reasons. First, Nigeria’s trade and tariff policy have been very capricious and the rate of instrument change has been extremely high leading to a general loss of confidence by major operators and stakeholders in the instruments. It is not unusual for investors to pay no attention to the chances created by a significance prohibition on the indulgent that the prohibition will not linger long enough to licence advantageous investment in the sector. Moreover, the efficiency of the implementation of a given policy is very low. Real tariffs have constantly differed from
published tariffs while efficiency of collection of even the real tariff had at times dropped lower than 50 per cent. The technique of administration of waivers has always left much to be considered necessary leaving collected revenue often differing much from collectible revenue. There is also the conviction among many stakeholders that import prohibitions only deepen customs and other public official through corruption as the prohibited items will inevitably enter the country anyway. This is in addition the poor merging of either the views of key stakeholders or even the result of meticulous research in the adoption of trade policy instruments such that often a times there has been very little if any stakeholder buy-in into the programmes. Exchange rate policies have been carried out more by rule of thumb and public opinion than with empirical evidence. A broad range of export motivation proposals has failed to make up for anti-export prejudice of the average Nigerian producer while complementary export and production plans and documentation remain as unwieldy as possible. Support infrastructure is literally absent and the 1990s saw minute investment in infrastructure that should support trade policy. But significantly too, the country has not been stable in the preservation of a clear cut trade policy path. While the overall trend has been towards larger liberalization, there have been a number of policy turnarounds and *ad-hocism* connected with trade policy and which tended to give stakeholders the notion that the government is unserious.

The current trade policy refers to various trade facilitation and support measure to advance on the quality and success of trade policy instruments. This include stable exchange rate system, successful competition and anti-trust policy, improved harmonized export incentives and institutions for overseeing them, harmonizing infrastructure provision among others. Nonetheless, a lot of of these have not come to past. But crucially, there is need for strategic inclusion of stakeholders in the design and implementation of trade policy. The implementation of any trade policy instrument also needs to be guided by empirical evidence and not just the emotions of a few individuals with access to power. There is in fact not much amiss with the present export promotion policies and competition as written in the trade policy document. But there is need for action to improve these activities through suitable incentives. Some of the steps already taken by the present administration particularly regarding the introduction of larger competition through privatization and reducing documentation troubles connected with export rebates and investment, these need to be permanent and institutionalized.
The Trade Policy and the National Economic Empowerment and Development Strategy (NEEDS)

NEEDS – An Overview
In 2004, the Federal Government of Nigeria changed its reform programme to the National Economic Empowerment and Development Strategy otherwise known as NEEDS. NEEDS came as a response to the need to re-evaluate the policy process, re-evaluate the operation environment, remove obstructions to growth, and speedup economic development in Nigeria. NEEDS ‘is Nigeria’s home-grown poverty reduction strategy (PRSP) founded on clear vision, sound values, and enduring principles. It is a medium term plan, but which derives from the country’s long-term goals of poverty reduction, wealth creation, employment generation and value re-orientation. It is predominantly a reasoned response to the challenges of underdevelopment and endemic poverty that has historically been the lot of Nigeria. It rests on four key strategies: Reforming government and its institutions; Growing the private sector; Implementing a social charter; and Value change and re-orientation of the people towards an enduring African value system. Generally NEEDS commits to improve efficiency, and productivity, reduce production costs, nurture entrepreneurship and enhance a competitive marketplace. In more specific term, NEEDS tries to achieve wealth creation, employment generation, poverty reduction and value re-orientation. Within the scope of its public sector reform programme, government intends to restructure, right-size, re-professionalize and strengthen government and public institutions to bring forth effective service to the people. There is also the goal of eradicating waste and inefficiency, and create resourceful space for investment in infrastructure and social service by Government, by fighting corruption and promotion of the rule of law. NEEDS also promises to develop the private sector by enhancing its competence to invest and manage businesses. The key elements of this strategy include privatization, de-regulation and liberalization programme targeted to shrivel the sphere of the public sector and hold up the private sector; infrastructure development especially electricity (power) and transportation; unequivocal sectoral plan for agriculture, industry/SMSEs; service (especially tourism, art

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21 Federal Government of Nigeria 2004
22 Under NEEDS, the social charter is defined in terms of the contract between government and people of Nigeria in a formal agent-principal relationship and where the ultimate objectives of governance is the improvement of the welfare of residents
and culture, and information/communication technology), oil and gas, and solid minerals. It also identifies the need for long-term capital mobilization; institution of appropriate regulatory framework; a logical and dependable trade policy and regional/global integration regime; and specific interventions to encourage the development of some sector, promotion of industrial parks as well as research and development.  

The social charter deals with specific programmes for development of health, education, employment, poverty-reduction, security and participation. Education is treated as a major instrument of empowerment while reforms in the health care delivery system will be oriented sector towards, effective health care delivery system with a view to combating preventable diseases like malaria and stemming the spread of HIV/AIDS. There are also programmes directed at youth re-orientation and employment. Pension scheme is also up for review while housing and mortgage development is to be led by the private sector but with substantial government input. These provisions (including investments in water, both as a social facility and for irrigation) are to be guided by the need for environmental sustainability. The social charter also seeks inclusiveness and empowerment with programmes designed to give voice to the weak and vulnerable culminating in an ‘affirmative action for a minimum of 30 per cent representation for women in all aspect of national life wherever feasible’. Value re-orientation seeks to address issues of corruption and rent-seeking and to give relevance and prominence to industry as a means of livelihood. Each of the earlier three components of the reform programme is expected to make inputs into the value re-orientation programme.

A persistent decimal in the policy making scenery in Nigeria has been policy implementation gap. Consecutive processes and analyses have referred to this as the curse of policies in Nigeria. It is often held in many quarters that Nigeria does not lack good ideas, but often runs short in implementation of designed programmes. NEEDS foresees and tries to address this by providing a coordination, reporting and implementation framework that is based on a realistic appraisal and strengthening of existing institutions. NEEDS is also refreshingly innovative in the design of a framework for collaboration and

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23 Central Bank of Nigeria Briefs 2005
24 Central Bank of Nigeria Briefs 2005
25 Central Bank of Nigeria Briefs 2005
coordination with all tiers and agencies of government having substantial contributions to make with effective complementation from the private sector.  

NEEDS appears to depart from previous development strategies in its inclusion of the human development agenda and empowerment. Specific human development issues form the critical mass for the success of the reforms process, because, it is premised on the assumption that no economic policy is successful until it has translated into tangible benefits for the people. NEEDS incorporates the principles of balances development in the planning and management of the nation’s human and physical development so as to ensure it reflects the aspirations of the diverse interests in the nation. While it did not disaggregate development initiatives along the cross cutting issue of ensuring gender equity, as a strategy to redress structural imbalance that have continued to perpetuate poverty, discrimination and limited access to opportunities, it provided for an affirmative action of 30 percent representation for women. NEEDS’ overwhelming objective is the reining in of government.

The NEEDS developmental structure might involve some temporary shocks especially to the vulnerable. But how ‘temporary’ such shocks will be depends critically on the commitment of government to the provisions of the social charter and the targets specifies there. For example, NEEDS provides for ‘right-sizing’ government which might entail shuffles in public sector employment. Meanwhile, there are no guarantees that anticipated private sector engagement will automatically reabsorb such dislocated workers or provide buffers against the pains of adjustment.

In general, the NEEDS macroeconomic framework and approach is conventional, framed on three fundamental strategies; strengthening and re-orienting government and governance, growing the private sector and implementing a social charter. However, there could be tensions among these three objective/strategies, at least in the short run. For

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27 In the Social Charter (Chapter 4), NEEDS promises 7 million new jobs by the year 2007, increased immunization coverage to 60%, increased access to potable water by 70% of the population, increased School enrolment rates especially for girls and increased adult literacy rate to at least 65%. It also promises to significantly improve sanitation.
28 Central Bank of Nigeria Briefs 2005
29 Central Bank of Nigeria Briefs 2005
example, the booming and well articulated social charter could in the short run be hindered by an attempt to ‘force’ government to act, as when restraining in the public sector could mean downsizing.

The Nigeria Trade Policy and NEEDS: An Appraisal of Convergence

The Nigerian trade policy identifies that its effectiveness is inextricably linked to sound domestic polices, which are implemented in a flexible manner. Agu and Oduh (2005) argue that it is encouraging to note a major degree of convergence between the ‘spirit’ of the trade policy and NEEDS especially in the following areas:

a. Complementary Roles of Government and the Private Sector: Whether in the NEEDS or the Trade Policy documents, efforts were made to clearly redefine the role of government as that of a facilitator that provides the facilitating environment necessary for the growth of a competitive private sector. The private sector, on the other hand, is expected to take the lead in the productive sector of the economy by taking advantage of abounding opportunities in the domestic, regional and global markets. Both government and the private sector endorse the accomplishment of accelerated growth and development through trade within the public-private partnership concept. Both documents advocate targeted interventions by government to strengthen weak and susceptible sectors and stress the predictability of effective partnership between both sectors of the economy in the up-and-coming economic reconstruction.

b. The Role of International Economic Developments in Domestic Policy Design: Both the NEEDS and the Trade Policy recognize the significant impact that global economic developments have on national policies. Certainly, one is tempted to describe both the NEEDS and the Trade Policy as responses to changes in the global economic community. The integration of Nigeria into the global economy is at the heart of NEEDS. For both documents, the starting point is the initial integration with the rest of the countries of the ECOWAS sub region.

30 Chukwuma Agu and Moses Oduh, (2005). Trade Policy, Gender and the Livelihoods of the Poor in Nigeria
c. **Diversification of the Productive and Export Bases:** Both the trade policy and NEEDS recognize the need for the diversification of the productive and export bases of the economy away from oil and to promote market-oriented private sector-driven economic development. Both documents concur on the attainment of growth through the promotion and diversification of exports in oil and non-oil markets. In this regard, there is an agreement on the need to take on nationally harmonized strategies to develop significant sectors like agriculture, small and medium enterprises, manufacturing, solid mineral and services.

d. **Investment in Infrastructure and Reduction in Cost of Doing Business:** Another point of agreement Agu and Oduh poses is on the need for vast investments in infrastructure, especially electricity, transport and water resources. Within the West African sub-region, Nigeria ranks as having one of the poorest infrastructure and which capacity has been outshone by population growth, especially in the urban centres. This further aggravates the present costs of business. There is agreement on the need to ‘lower the cost of doing business, in addition to reducing policy-related cost and risk corruption, red tape and administrative barriers to business including a weak legal system; inadequate protect of property rights; inadequate enforcement of tariffs; dumping of fake and sub-standard products; poor payment systems, and the uncertainties associated with exchange rate and prices.’³¹ NEEDS also predicates trade and investment on the rule of law and security through more implicitly stated in the Trade Policy Document.

e. **Sector-Specific Issues:** In terms of sectoral emphasis and the description of growth drivers, there is much agreement between the NEEDS and present Trade Policy. Both underline and articulate interest in the endorsement of agriculture for food security and particularly in respect of the proportion of the population that are employed there.³² The trade policy recognizes Nigeria as an agro-based economy and so targets the production of basic food products, in order to ensure food security and make Nigeria a net exporter of food. NEEDS also emphasize the place of agriculture in the following way: “…Agriculture remains the mainstay of Nigeria’s economy. In addition to contributing the largest share of GDP, it is the largest non-

³¹ Chukwuma Agu and Moses Oduh, (2005). Trade Policy, Gender and the Livelihoods of the Poor in Nigeria
³² About 60 per cent of the Nigerian population are farmers, engaging in subsistence agriculture and over 65% of these farmers are women and children
oil export earner, the largest employer of labour, and a key contributor to wealth creation and poverty alleviation, as a large percentage of the population derives its income from agriculture and related activities…”

Nonetheless, Agu and Oduh notice that there are some discrepancies both in the position and spirit of the two policy documents particularly in respect of the choice of selective import restriction versus openness. Both documents are incredibly outward oriented and receptive to developments in the economy. To this end, while the Trade Policy was forceful outright liberalization of both the export and import sectors, NEEDS emphasized the need for selective import restriction and aggressive export promotion as a strategy to ensure orderly re-structuring of the industrial sector.\(^{33}\) This deviation is by no means small bearing in mind the structure of economic activities in Nigeria. Being a policy document, the NEEDS could not go down to details in describing what constitutes ‘selective import restriction’ and the modalities of its implementation. In a situation where the trade policy is emphatic about liberalization and the full implementation of all international protocol to which Nigeria is signatory, there is the propensity for divergences in implementation of programmes proposed by the two policy documents.

\(^{33}\) Central Bank of Nigeria Briefs 2005
Figure 1: The NEEDS at a Glance

Source: Central Bank of Nigeria Briefs 2005
Chapter Five – Conclusion

Nigeria’s Trade Policy and the Livelihood of the Poor – Emerging Realities

So far, this paper has attempted to reveal a correlation between increasing occurrence of poverty and segregation on the one hand and increased liberalization of trade on the other. This section presents a summary of the major issues raised thus far.

Trade for every country has two major aspects - domestic and international. Conceptually and operationally, the demands of both trades are not exactly the same particularly in a developing country context. There could thus be some friction, the extent of which depends on the level of development of the country involved, the size of the supportive infrastructure and environment for promoting both trades and the political/other interest pressures supporting the promotion of either trade. Managing the linkage between the two sets of trade could be difficult and so far, the existing Nigeria trade policy did not demonstrate effectiveness in managing it.

The 2002 trade policy is excessively outward-oriented. The document demonstrates undue eagerness to satisfy the demands of international trade. The policy pays unwarranted attention to issue of global importance but does not show equivalent commitment to the needs of home trade which holds great potentials for employment and poverty reduction. The policy fails to demonstrate understanding of the necessary linkages between the international trade demands and domestic economic growth. There is the supposition that liberalization by itself leads to growth and poverty reduction, but as has been shown in the body of this paper, this is not necessarily so. The significant transmission mechanism or linkages between outward oriented trade policy and domestic growth was not scrupulously obtained or shown in the document.

Export promotion and import liberalization are all important and realistic policy objectives. But the character and structure of such promotion and indeed driving force behind these policies matter. It is essential that the synergy between such outward promotion programmes and national output growth and development of applicable infrastructure be demonstrated. Agu and Oduh in their report expressed their fear regarding domestic output
and trade may continue to suffer if this is not attended to. The current goods and services distribution network in the country is anything but desirable. Available resources could either be used for large export promotion activities or channelled through policy into the hands of artisan and operators in the informal sector where poverty is predominant. Import liberalization on the other hand pressurizes domestic producer particularly in view of the irregular infrastructure and high cost of doing business in the country, reduces their competitiveness and leads to further unemployment which worsens poverty. These are demonstrable points proven by over two decades of experience in trade liberalization. What then is the way forward?

Given the level of development of Nigeria, it is recommended that trade policy is merged with industrial policy. It is argued that Nigeria does not need two separate documents to deal with trade and industrial development. Such document will have to pay attention to issues affecting domestic production and distribution. ‘Nigeria’s federal character can be very advantageous in the respect as the National Economic Council becomes the melting pot for coordination of state efforts in complementary real sector development while the federal government provides overall macroeconomic framework and matching grants to make this possible.’

Agu and Oduh in their report further argue that there is need for ‘strategic liberalization’ and that quick and unrestrained liberalization of the Imports sub sector is unnecessary and could be damaging. True enough, such strategic liberalization programme needs to be steady and selective in sectors to liberalize. For example, while the country needs capital and raw materials to promote domestic output, there is little need for liberalization of the imports of food, light manufactures and/or textiles. Likewise, export promotion is desirable, but it will be important for policy to be specific on which sectors priority attention shall be given and why. On the other, it is feared that unrestrained openness and liberalization of imports, would affect the income of strategic sectors and possibly wipe away the little competitive advantage that they currently enjoy. Under such circumstances, the productive base that could support exports will be further eroded.

The lack of effective structure for trade policy implementation in Nigeria is one of the major factors for the ad hoc nature of import bans, indiscretion in the movement of tariffs and exemptions as well as the diversity and challenges in the various trade protocols to

34 Chukwuma Agu and Moses Oduh, (2005). Trade Policy, Gender and the Livelihoods of the Poor in Nigeria
which Nigeria is signatory or still intends to be signatory. These set of problems can only be addressed by proper institutionalization of the processes of tariff collection, reporting lines and granting of exemptions, trade negotiation as well as economic cooperation between Nigeria and other countries.

Agriculture and manufacturing continue to decrease and minimal efforts are made to develop competitive advantage in these sectors. Given their huge employment for the majority of the poor, this stance has implications for the overall effectiveness of trade policy as an instrument of poverty reduction in Nigeria. Specifically, while the impact of trade policy has been most felt by the poor, understanding of such impact and implications is somewhat vague. This owes to the woolly treatment that trade policy gives to agricultural and industrial development strategies. There is very little attempt at explicitly treating trade in agricultural inputs and output, linkage of agricultural products with industrial users, exports of agricultural products to regional markets, stabilization of agricultural produce prices, and subsidization of specific inputs like land-clearing, if necessary. More so, the link between agricultural and trade policies is weak. There is little (if any) complementarily between trade and agricultural policies and the strategies proposed by one are often at variance with that proposed by the other.

Finally, both the agricultural and industrial sectors need large amounts of infrastructure development. This is both a policy design and implementation challenge. Liberalization on its own means nothing. Certainly, for a country like Nigeria with most basic support infrastructure not working, liberalization may imply negative growth. It has been acknowledged that a number of complementary policies and infrastructure is needed if trade policies are to make the required impact on real sector growth. As earlier noted, most of such complementary conditions for effective realization of the goals of the policy (low interest and inflation rates, reduced debt burden, etc) are yet to be realized. Neither has infrastructure worked. However, trade liberalization has ensued at striking rates. Thus, there is need to bind in the strategic liberalization programme with substantial and unrelenting investment in infrastructure.
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