# Nigeria's import restrictions: A bad policy that harms trade relations

*Olu Fasan argues that import restrictions are not the best way of dealing with import dependency.*

There is a consistent and predictable pattern to Nigeria's trade and industrial policies. For decades, successive Nigerian governments have resorted to protectionist measures, including import restrictions and exchange control, to deal with the problems of import and oil dependencies. This import substitution policy is usually presaged by an economic crisis, often triggered by the collapse of the oil market and a significant drop in Nigeria's oil revenues, which account for 70% of the country's total revenues. Although the protectionist measures have never achieved the policy objective of industrialising Nigeria, this has not stopped successive governments from using them. Such measures resonate with the strong protectionist instincts of most Nigerian politicians and policy makers.


Rice is on the list of banned imports Credit: cookbookman17 via Flickr (http://bit.ly/1WeSv5v)

Recently, the Central Bank of Nigeria (CBN) followed this well-trodden protectionist path. In June, it banned importers of 41 foreign products from accessing the foreign exchange market. This means that the central bank will not grant foreign exchange to import those goods, most of which are consumer or intermediate products. The immediate trigger for this policy was the plummeting exchange rate of the naira, Nigeria's currency, the official rate of which has dropped by almost 20% over the past year to about 197 naira per dollar. But the central bank governor, Godwin Emefiele, insisted that the more important aim of the policy was to tackle the problem of import dependency and to diversify the economy. According to him, the intervention would help to "resuscitate local manufacturing" and "change the structure of the economy". However, I would like to demonstrate here that Nigeria's traditional use of import restrictions is inconsistent with its international commitments and risks harming the country's relations with its trading partners. I will do this through a brief historical overview of Nigeria's trade policy and its relationship with the World Trade Organisation (WTO).

*Nigeria's history of import restrictions*

Evidently, the allure of protectionism is strong in Nigeria especially in the face of an economic crisis. Nigeria's first major economic crisis of the oil era hit the Shehu Shagari government in the early 1980s. That government's response, as set out in the Economic Stabilisation (Temporary

Provisions) Act of 1982, had at its core the curtailment of imports. When the Buhari military regime replaced Shagari's government in December 1983, it escalated Shagari's import restrictive policy by placing all imports under licensing and closing Nigeria's borders. The Babangida regime that succeeded Buhari's in 1985 was, broadly speaking, economically liberal, with the pro-market elements of its structural adjustment programme, but it started by imposing a 30% levy on all imports. Although Babangida later abolished the import levy and the notorious import-licensing system, the tariff system that he introduced was a major protectionist tool. For instance, the regime's tariff review board was raising tariff rates almost every year, sometimes up to 100% for some products. General Sani Abacha took over power in late 1993 and introduced wide-ranging regulations and controls. However, by 1995, to assuage the concerns of foreign investors, Abacha announced what he called "guided deregulation" and reversed some of the existing controls. But this change did not last, for, as Abacha became increasing dictatorial and unpopular, his economic and trade policies became very restrictive.

The situation did not improve under the civilian dispensation that started with Olusegun Obasanjo's administration in 1999. Indeed, President Obasanjo once vowed that "We are certainly going to ban more products", adding that "The idea is to protect our local industries and boost our manufacturing capability substantially". And his government used import bans extensively, although powerful individuals often bypassed Ministry of Trade officials and even the minister to secure waivers directly from Obasanjo himself. This pattern of banning imports and then secretly granting waivers to powerful interest groups continued under the administrations of Umaru Yar'Adua and Goodluck Jonathan. This practice reflects the fact that much of policy-making in Nigeria is based on administrative fiat and ministerial discretion. As Razeen Sally, professor of international political economy at the National University of Singapore said: "protectionism is inherently arbitrary and opaque". And Nigeria's trade policy is not only discriminatory and restrictive; it is also arbitrary and opaque! This was always a source of frustration for many of Nigeria's trading partners.

*Compatibility with WTO rules*

Under the WTO trade policy review mechanism, Nigeria's trade policy is reviewed every six or seven years. In its 2005 review, the WTO noted that "since its last TPR in 1998, Nigeria trade regime has become more protective". The IMF went even further in its Article IV consultation report by declaring that Nigeria's trade policy regime "is one of the most restrictive in the world". Subsequent reports show that little has changed about Nigeria trade policy, and the CBN's restriction of certain imports would simply reinforce the international perception of Nigeria as a largely protectionist economy. Indeed, the recent altercation between the CBN and The Economist magazine, which criticised Nigeria's latest import restrictions in an article titled Nigeria's Currency: Toothpick Alert to which the CBN responded in a rejoinder, reflects the kind of exchanges that are likely to be going on now at the WTO between Nigeria and its key trading partners.

To be sure, Nigeria is right to be concerned about import dependency, but it cannot deal with this problem by simply banning or restricting imports. It must tackle it primarily by promoting exports and also by allowing the market to regulate imports through a competitive foreign exchange regime. However, if necessary, Nigeria can also invoke the flexibilities in WTO law, such as imposing import restrictions for balance of payment or safeguard reasons, or using the anti-dumping provisions. But it must invoke these exemptions in accordance with WTO rules. At the moment, Nigeria is simply adopting extra-legal means of protecting its domestic industries, which harms its reputation as a rule-of-law country and can strain relations with its trading partners.

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