REMARKABLE INCREASE IN TRADE

Balance of Payments Continues a Big Problem

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Nothing could give a more striking picture of the growth of Nigerian trade during the past two decades than the bare figures of imports and exports.

Year	Imports	Exports	Total
	£m.	£m.	£m.
1939 ..	7	10	17
1949 ..	58	81	139
1959 ..	179	164	343

These, of course, are money values, but even allowing for the decline in the real value of the pound, the increase is remarkable. Moreover, there is every reason to believe that it will continue. Nigeria is committed to ambitious development plans, both in the Federal area and in the Regions, and the achievement of sovereignty must be expected to give an added stimulus to the country's aspirations and commitments. The availability of finance is likely to be the only limiting factor. The table above shows that while exports have doubled during the past 10 years, imports are trebled, and I should not be surprised to find that the figures for 1969 show a similar rate of progress. Of course, if the value of imports continues to outrun that of exports it will create some very crucial problems.

IMPORT TRADE

In considering the import trade, there are some important background facts to be borne in mind. The first is that Nigeria is a country with a single import tariff; although some classes of Nigerian commodities enjoy a preference in the United Kingdom, there is no preferential tariff for goods entering Nigeria. An equally important indication that the colonial power sought to establish no particular trade advantages over other supplying countries is that there is no trace of monopoly for British firms. In fact, the six largest trading firms today include two French companies and one Swiss, all competing on equal terms.

The absence of preferential tariffs and quotas has meant that Nigeria is in the happy position of being able to buy her requirements in the cheapest markets, just as she can sell her commodities wherever she can get the best prices. There has indeed been, in the years since the war, some quantitative control over imports from the dollar area, but nearly all these restrictions were removed in January, 1959, when the dollar had become an easier currency.

In these conditions it was only to be expected that such countries as the Netherlands, seeking a fresh outlet to compensate for the loss of the Indonesian market, and West Germany, seeking a place in the sun, should have made vigorous attempts to establish a foothold in Nigeria. Both have had considerable success, and Japan is another country that has claimed a large share, though this seems to have passed its peak. The table below shows that in the face of this stringent competition the percentage share of the United Kingdom has dropped considerably (even though the actual quantum of imports from Britain rose from £63,500,000 in 1955 to £82m. in 1959):—

Percentage shares of certain countries in the import trade are:—

—	1948-50 Average	1955	1959
	Per cent	Per cent	Per cent
United Kingdom	54	50	46
Japan ..	9	12	10·5
W. Germany ..	5	7	7
Netherlands ..	2	3·5	5·4

It is clear that in present conditions British exporters will have to work very hard to maintain even the present percentage.

There is no need, however, to expect any sudden upheaval with the coming of Independence to Nigeria or any sharp shifts in the direction of trade. Nigeria's economic policy has been quite independent of British control for some years and there is no reason to fear that the final abandonment of colonial status will mean that traditional connexions are thrown overboard. Traditions die hard, and they are supported by the utmost good will. The great established trading companies, with their long standing and detailed knowledge of Nigerian conditions and their well-established credit system and connexions all over the country, start with a considerable advantage, and the Nigerian leaders for their part recognize the outstanding services that they have rendered and are rendering in developing the country and in training and employing Nigerians.

The changes in the import pattern with respect to the type of goods imported are very much what one would expect in an underdeveloped country that is determined to industrialize. Where previously consumer goods made up the bulk of the import trade, capital goods and producer goods generally are now of almost equal importance.

Percentage share of consumer and capital goods in total imports are:—

—	1955	1959
	Per cent	Per cent
Manufactured goods ..	44	36·7
Machinery and transport equipment ..	20	24·5

It should be explained that "manufactured goods" is an omnibus item in the official statistics that includes as its most important components cotton and rayon piece goods. The value of certain classes of consumer goods must be expected to decline still more when industrialization gets well under way, and the fact that imports of cotton piece goods are already on the way down is partly due to the coming into full production, and further expansion, of the Kaduna textile mills. Exporters interested in Nigeria are no doubt carefully studying these trends.

Internally, too, the pattern of organization has changed; the purchase of produce is passing into African hands and the marketing boards have absorbed transport and marketing activities. In the country retail trade is becoming increasingly African with the European firms concentrating more and more on goods requiring technical service or destined for a luxury trade. Though the increase in African business is steady, the African has made great progress by advancement to positions of managerial and even directorial responsibility in the bigger expatriate firms.

After passing out of the Aba Textile Training Centre this student will become an instructor in her own village.

Oil extracted from palm fruits is refined from tanks by boiling. Right: Sheets of coagulum are hung up after processing.

A heap of palm fruit bunches at an oil mill. Labourers are loading the bunches on a scale for weighing before processing.

VARIETY OF EXPORT

So far as exports are concerned, it should be remembered that there is little scope for private enterprise, as Nigeria's exports consist almost entirely of primary commodities, and all the more important classes, except rubber, timber and tin, are handled by the marketing boards. Nigeria is more fortunately situated than Ghana in this respect, having a wider range of commodities to export, as is illustrated by the following table:—

Percentage Share of Major Commodities in Total Exports in 1959:—

Palm oil and kernels	24.3
Cocoa	23.4
Groundnuts and groundnut oil	19.4
Rubber	7.1

Rubber is certainly one commodity that is capable of great expansion. Nigerian rubber is fully able to compete with Malayan rubber, and in fact the shorter haul to the markets of Europe and America will mean a saving of freight charges; and when the new rubber plantations, notably the huge 20,000-acre Dunlop plantation in the Calabar area, go into full production, rubber will make a very significant contribution to Nigeria's export earnings. With the removal of international restrictions, tin will also be able to make a better contribution. Finally, oil, the production of which may well rise to 50,000 barrels a day in 1961, will help to swell Nigeria's exports. With regard to the direction of exports, here again the United Kingdom, though still remaining far and away Nigeria's best customer, is taking a much smaller share of the total. Percentage shares of certain countries in the export trade are:—

—	1948-50 average	1955	1959
	Per cent	Per cent	Per cent
United Kingdom ..	80	70	50
Netherlands ..	2·5	7·5	16
W. Germany ..	0·5	3·2	8
U.S.A. ..	12·5	9	7

As with the import trade, the progress made by the Netherlands and West Germany is noteworthy, but perhaps the most striking feature of the export pattern is that exports to Japan are so negligible as to be not worth recording; therefore of Nigeria's major trading connexions, Japan alone is content with a one-way traffic that can hardly suit Nigeria.

The fact that the two continental countries that have most greatly improved their off-take of Nigeria's produce are both members of the European Common Market is distinctly ominous. The danger of Nigerian exports having to face increasing discrimination in these continental markets has caused much concern.

ADVERSE BALANCE

Returning to the problem of the balance of payments, up to 1954 the country had been steadily piling up sterling balances, but since then the balance has been adverse in every year and the sterling reserves are being steadily diminished. Up to a point this was as it should be; there could be no better way of using these reserves than to apply them to the development of the country through imports of capital goods. But soon there will be no reserves available to meet deficits on the external trade account and the question may arise as to whether quantitative control of imports must be brought in to relieve the situation. The very prospect is enough to cause dismay to any business man who has had experience of the working of a quota system in other countries and knows the stranglehold that import control can exercise over the economy of a country. Fortunately the Federal Government are fully aware of this danger. "Quota restrictions on imports", said Chief Festus Okotie-Eboh, the Federal Finance Minister, in his 1959 Budget speech, "would result in a great and unproductive increase in our administrative machinery and would open innumerable avenues for fraud and evasion—to say nothing of illicit markets."

COUNTER MEASURES

This is reassuring, and the business community has noted with great satisfaction that the Federal Government has decided that the only satisfactory method of redressing the balance of payments is to damp down the consumer demand by raising import duties. This method has certain drawbacks (for example, it tends to drive up the cost of living) but it has two positive advantages: it can be used for protection of nascent industries, and it helps to increase government revenues. The latter point is of particular importance when it is remembered that import duties form by far the largest part of the revenues of the Federal Government, company tax and other forms of income tax being still relatively unimportant as revenue producers. The problem remains, however, extremely difficult, and one can only hope that the new government will find a way to maintain its solvency in respect of external payments without clogging the channels of the free competitive trade that is the lifeblood of Nigeria's economy.