USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network



Voluntary _ Public

**Date:** 12/16/2014

**GAIN Report Number:**

# Nigeria

**Post:** Lagos

# Nigeria to Adopt ECOWAS Common Tariff - January 2015

**Report Categories:**

Agriculture in the News

Trade Policy Monitoring

**Approved By:**

Kurt Seifarth

**Prepared By:**

Uche M. Nzeka

**Report Highlights:**

Nigeria would begin the implementation of ECOWAS Common External Tariffs beginning January 1, 2015 to comply with ECOWAS Heads of State's adoption of a five-band regional CET. ECOWAS CET seeks to liberalize trade in line with WTO guidelines by harmonizing tariff charges within ECOWAS countries within a five tariff band ranging from zero to 35 percent. However, the adopted ECOWAS CET does not reflect intended progress towards trade liberalization as individual countries still have sovereignty over imposition of levies, taxes, quotas, import ban, etc. Member countries, including Nigeria, are also allowed to continue to employ restrictive trade policies on many food and agricultural products.

**Executive Summary:**

At the Dakar summit of October 2014, ECOWAS Heads adopted that a five-band regional Common External Tariff (CET) would become operational effective January 1, 2015. Nigeria's Coordinating Minister for the Economy and Minister of Finance, Dr. Okonjo-Iweala with the governor of the country's Central Bank (CBN) Mr Godwin Emefiele regarding the CET adoption had said that: "… arrangements had been concluded for the common external tariff for countries in the ECOWAS sub-region and it is expected to be flagged off on January 1, 2015". She added that, "all the countries concerned were looking into the trade agreements so that individual countries would not become dumping grounds for frivolous exports". Minister Okonjo-Iweala and Nigeria's Directors-General of Customs of ECOWAS Member States also met in Accra on Thursday, 27th November 2014 and finalized preparations for the ECOWAS CET commencement next year.

With this, Nigeria's version of the ECOWAS CET will range between zero to 35 percent following these five tariff bands:-- zero duty on capital goods, machinery, and essential drugs not produced locally; 5 percent duty on imported raw materials; 10 percent duty on intermediate goods; 20 percent duty on finished goods; and 35 percent duty on goods in certain sectors that the Nigerian government seeks to protect. A general exemption from payment on the import duty can be granted on items such as ingredients for the manufacture of poultry feeds, if certified as such by the Ministry of Agriculture.

**Background:**

CET is not new in ECOWAS as it started since 2000 through UEMOA (Economic Union of French-speaking West African countries) adoption of a-4 band tariff known as TEC. The new CET is a fusion of the WAEMU (Economic Union of English-speaking countries of West Africa) into UEMOA tariff by introducing the 5th tariff band of 35%. The 35% band is to protect domestic industries and it covers 130 products mostly produced across West African countries (known as Community Products). Duties are not applied to the community products sold within the ECOWAS region. ECOWAS countries will charge VAT (taxes) ranging 15 to 20% on the products. Countries also have sovereignty over tax rate within the range and member-country's Internal Revenue Service (not the Customs Department) will be responsible for the VAT collection. Tariffs will also be charged once irrespective of the country of shipment. Goods transshipped to other countries will not be subjected to double tariff charges—only taxes will be paid when crossing into other countries.

**Implications for Trade Liberalization:**

FAS Lagos does not see Nigeria's adoption of ECOWAS CET as a progress towards trade liberalization. Under this CET, ECOWAS countries (including Nigeria) still have sovereignty over imposition of levies, taxes, quotas, import ban, etc. Nigeria will therefore continue to employ restrictive trade policies on many food and agricultural products. Import ban on poultry products, pork, beef and some important consumer-oriented products will also remain in line with Nigeria's government (GON) initiated Agricultural Transformation Agenda (ATA) which focuses agricultural trade policies at utilizing punitive taxes and import bans to stimulate an import substitution agenda.

GON's high levies/duties and proposed import bans on essential foods such as rice, wheat, cassava, sugar, etc. will stay and will continue to discourage their import. Informal Benin-Nigeria cross-border trade will also continue to flourish. The levies and duties on wheat increased the effective duty on wheat grain imports from 5 percent to 20 percent, on wheat flour imports from 35 percent to 100 percent, on brown rice imports from 5 percent to 35 percent, and on milled rice imports from 30 percent to 80 percent. In addition, GON had announced effective tariffs as of January 1, 2013, of 60 percent on raw sugar imports and 80 percent on refined sugar. In 2014, it also introduced frozen fish import quota regime with a proposal for a total ban over the next four years through a 25 percent annual fish import cut. Import ban was placed on fish species that can be farmed in Nigeria (catfish and tilapia) as part of this import quota policy.

Nigeria is one of the top markets for U.S. wheat valued at $959 million in 2013. USDA promotional efforts focused on processed and prepared products have also resulted in record sales in 2013 of dairy products, processed vegetables, prepared food, wine, beer, distilled spirits, dog and cat food, and near record sales of fish products. High levies on wheat has increased U.S. wheat prices and caused U.S. market share to drop as patronage of inexpensive but low quality wheat from third-country suppliers continue to increase. Pacific Hake (Merluccius productus) species was excluded from the list of import quotas and this is the major species the U.S. had recently begun to export to Nigeria.

**Reference:**
Visit the following website for further CET structures and details: http://ecdpm.org/wp-content/uploads/DP-154-Impact-Regional-Economic-Integration-Food-Security-West-Africa-2014.pdf.