The Role of Research in Trade Policy Formulation:
The Case of Nigeria’s Adoption of the ECOWAS Common External Tariff

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1 Introduction

1.1 Background

Understanding the links between research and policy has been the subject of recent investigation in the development policy literature. Although the research-policy linkage was previously viewed as a linear process (with research being directly translated into policy), there is now widespread evidence that various other social and institutional factors may intervene in the policy process. In most developing countries, policy formulation occurs in a contested field, where political agents, private sector lobbies, civil society institutions, donor agencies and researchers all seek to influence outcomes. Consequently, understanding the role of research in the policy formulation process requires a careful ethnographic assessment of existing policy networks, through which ideas are exchanged and decisions made.

In this paper, we analyze the formulation and negotiation of trade policy in Nigeria, and assess the role played by research outputs in the policy process. In October 2005, Nigeria joined other Members of the Economic Community of West African States (ECOWAS) in adopting a Common External Tariff (CET). The ECOWAS CET was previously the external tariff structure adopted by members of the West Africa Economic and Monetary Union (WAEMU)\(^3\), comprised primarily of states in francophone West Africa. Adoption of the CET was therefore necessary for non-WAEMU ECOWAS states in order to support the goal of deepening regional economic integration. The CET is intended to serve as the most-favored nation (MFN) external tariff of ECOWAS member states applicable to third countries, and also to non-preferential products traded within the ECOWAS sub-region. The proposal was for the adoption of a four-band tariff structured as follows: 0 percent (for products with social significance, such as medicines), 5 percent (for necessities, raw materials and some inputs), 10 percent (for intermediate goods) and 20 percent (for finished consumer goods).

\(^3\) Or, in French, Union Economique et Monetaire Ouest-Africaine (UEMOA)
Although ECOWAS countries initially agreed to liberalize intra-regional trade by 2000, progress in adoption of the liberalization schedule has been slow. The role of Nigeria in tariff harmonization was important in advancing any regional integration efforts: Nigeria accounts for about half of total gross domestic product of the ECOWAS region, with an economy which ranks second (in GDP terms) only to South Africa in sub-Saharan Africa (World Bank, 2006). Consequently, Nigeria’s recent adoption of the CET marked an important milestone in the process of deepening economic integration in the region, and provided an interesting episode of policy change for investigation.

A primary area of investigation was to understand the production of knowledge on trade policy issues, and the channels through which such knowledge was disseminated to influence the policy-making community. It was important to assess the nature of research input (theoretical versus applied), the authors of the research exercise (academics or consultants; local versus foreign), and how the research was finally utilized in recipient departments or agencies. To understand the role of research utilization in the trade policy formulation, it was important to extend our study to briefly review the role of other non-research stakeholders in the process of trade policy formulation in Nigeria.

1.2 Methodology
This exercise begun as a broad enquiry into the role of research in trade policy making in Nigeria, and was subsequently narrowed to examine a particular instance of policy change – in this case, Nigeria’s adoption of the ECOWAS CET. Our initial research work had involved direct interviews with academics as well as policy makers in Nigeria and provided us with a broad understanding of the nature of research utilization in trade policy formulation. To examine the specific instance of CET adoption, however, it was important to extend our analyses to assess the political context of tariff reform as well as the role of various stakeholders in the process. In this regard, we conducted a ‘tracer study’, in which we reviewed an episode of policy change to identify the web of interacting factors (including research) which caused policy reform (Court et al, 2005).
For methodology, we employed structured and semi-structured interviews of stakeholders to understand the various interest groups in trade policy, and elucidate the role played by research in the process of policy formulation. Various documentary sources also complemented data originally obtained from interview sources. Documentary sources included consultancy reports available at government departments, research publications from donor agencies in Nigeria, as well as opinion pieces published in local newspapers by various advocacy coalitions. Access to minutes of consultative committee meetings between stakeholders and government officials, on the revision of the CET also provided valuable insights. This work was loosely structured around the approach of Court et al (2005) by examining the context, evidence and links in the process of trade policy formulation in Nigeria.

1.3 Outline
The remainder of the paper is structured as follows: chapter two reviews the theoretical literature on knowledge utilization and policy formulation to identify a conceptual framework for our analysis; chapter three outlines the context of trade policy formulation in Nigeria, focusing on the role played by major domestic stakeholders; chapter four surveys the evidence available to policy makers from various sources throughout the process of reform; chapter five evaluates the policy networks and links between the research and policy communities with a view to identifying potential channels for knowledge uptake; chapter six synthesizes the information presented in preceding chapters to construct an account of Nigeria’s adoption of the ECOWAS CET, and also highlights the role of research in this process; chapter seven concludes with a summary of our main findings.
2 Theories of Knowledge Utilization and Policy Formulation

2.1 Introduction

As noted by various researchers, policy formulation tends to be a complex process, contested by various competing interests, and characterized by a ‘chaos of purposes and accidents’ (Sutton, 1999; Clay and Schaffer, 1984). In analyzing the influence of research on policy formulation, it is helpful to review existing conceptual frameworks, and identify models appropriate to our present exercise. Most existing frameworks are also not mutually exclusive, and in practice, may provide various theories may provide complementary analytical insights for a particular study.

Caplan’s notion of the existence of ‘two communities’ provides a useful starting point for analysis (Caplan, 1979). According to Caplan, researchers and policy makers exist in decoupled spheres, possessing different cultural traits and different worldviews. A gap exists between the two communities, as researchers and policy makers may hold different views on language and face different incentive structures. Researchers and policy-makers may also possess differing long-run objectives: the researcher aiming to increase the stock of knowledge, while policy-makers may be more interested in policy implementation and program effectiveness.

Based on Caplan’s distinction, it is important to clarify the nature of research and policy, and also the potential for research utilization. Although most of these models were previously developed to address instances of policy changes in developed country settings, they provide valuable insights for our current study on trade policy formulation in Nigeria. In this chapter, we begin with definitions, clearly specifying what constitutes research and policy in our present study, and subsequently, examine various frameworks employed in the literature on policy change and research utilization.
2.2 The Nature of Research

A major constraint in increasing research utilization arises due to differences in what is considered as ‘knowledge’ or ‘research’, and more importantly its reliability and validity (Booth, 1988). Researchers and policy-makers may also differ in opinion on what constitutes research. For the researcher, knowledge is assessed by both the theoretical approach adopted, and the methodology employed – and may often be assessed by its relevance to an academic or research community. In contrast, policy-makers may view knowledge as being a set of best practices, often as derived from practical experience (Booth, 1988).

In classifying the various forms of ‘research output’, Reimers and McGinn (1997) propose a useful framework based on the questions which the research output is intended to address. They contend that research may be grouped into four classes, namely: academic research, planning research, instrumentation research and action research based on its intended objectives. Academic research aims at testing various hypotheses in relation to various models or theories, whereas planning research employs statistical data to answer questions based on answers being sought. Instrumentation research iterates through various cycles of trial and error to arrive at the desired results, while in the case of action research the aim is to arrive at outcomes rather than merely generating knowledge.

In the context of policy changes, Weiss (1991) further argues that research may be grouped into three main classes: research as ideas; research as data; and research as argumentation. First, research as an idea exists in a diffuse form, when a high level of uncertainty exists and broad policy direction is sought – perhaps, at the initial stages of policy formulation. In the case of trade policy research, such research may be valuable for a country considering trade liberalization following a prolonged period of protectionist policies. Second, research as data is often presented in rational, technocratic terms, and aimed at addressing an existing policy concern. This is often important to guide decision-making when policymakers are faced with competing alternatives. Consider for example, the case of a government official considering whether to levy an import duty or provide domestic subsidies to protect local production. Finally, research may also exist as argumentation,
particularly, in instances when research is employed in advocacy objectives. In this instance, research may be presented selectively to support a given cause.

For the purposes of this study, we adopt a broad definition of research to encompass any systematic exercise to increase the existing stock of knowledge (Court et al, 2005). In the context of trade policy, this may include various forms of knowledge generation, such as academic research conducted at universities; policy briefs and papers from research think tanks; critiques by advocacy groups; consultancy reports; as well as statistical analyses of trade flows conducted by national statistical institutes. Such research may therefore be conducted by a variety of individuals, including academics, policy consultants, researchers in major international financial institutions, advocacy groups as well as government statisticians. Available research on the CET implementation is reviewed in Chapter 4 of this report. As noted earlier, available research attempts to answer various questions, and is often utilized in addressing various policy objectives by government bureaucrats.

2.3 Policy Changes and the Policy Process

2.2.1 Defining Policy

Following Anderson (1975) we define policy as a ‘purposive course of action followed by an actor or set of actors’. Various institutions, agencies and governments often maintain their independent policies suited to their objectives. In developing countries, governments may also adopt a range of policies aimed at supporting economic development, such as domestic monetary policy, industrial policy, agricultural policy, trade policy et cetera. Our focus here is on trade policy, which serves as one of the tools available to policy makers, and affects domestic price signals, influences the investment climate, and shapes domestic economic incentives.

The scope of trade policy is also broad, and encompasses various tariff and non-tariff measures adopted by governments to control their international trade regime. Such measures include policies on import tariffs, exports, on domestic subsidies, as well as
regional trade or bilateral trade agreements (Caves et al, 2000). In this present exercise, we focus on a particular instance of trade policy: Nigeria’s adoption of a common external tariff (CET) as proposed by ECOWAS.

2.2.2 Policy Changes

The adoption of the CET marked one instance of change in Nigeria’s trade policy. Although minor modification to Nigeria’s trade policy occur occasionally\(^4\), CET adoption marked a significant shift in the direction of the country’s overall trade policy. Lindquist (2001) contends that instances of policy changes may be viewed as being routine, incremental, fundamental or emergent. Routine changes involve minor modifications to existing programs to adapt to new situations, and often involve limited debate. Incremental changes however occur when isolated issues are discussed and reviewed, without an attempt for a comprehensive review of existing policies. We argue that minor trade policy changes such as the imposition of import prohibitions, and the granting of occasional duty waivers, may be classified as either routine or incremental. For such changes, the overarching policy framework remains intact, with changes only being made on the margin. The uptake of research in such instances tends to be very limited. However, according to Lindquist, fundamental policy changes involve a marked rethinking of policy, perhaps arising from a change in government or a period of economic crises. Emergent changes similarly involve a radical overthrow of an existing framework, with the adoption of a new paradigm for policy. In our view, the adoption of the CET, marked a significant change which may be classified as falling between the range of fundamental or emergent.

As we demonstrate later, the adoption of the CET constituted a significant structural reform in the Nigerian economy which resulted in a move from a complicated tiered tariff structure to the adoption of a simplified five-band tariff regime.

\(^4\) Consider for example, periodic import prohibitions which are placed on selected imports into Nigeria (WTO, 2005).
2.3.3 The Policy Process

The actual process of policy formulation is also contested at various stages, with a variety of analytical frameworks available to explain the policy process in different contexts. The applicability of the models may be partly determined by the type of policy change occurring as well as the prevailing governance system in which the changes occur. Broadly speaking, two sets of models exist: rationalist and political models. In each of these frameworks, assumptions are made about the policy process, and by extension, assumptions about the scope for knowledge utilization.

Rationalist models of the policy process, are essentially derived from rational choice theories, where agents make optimal choices in an environment of full information (Grindle and Thomas, 1991). Within this school, the linear, the incrementalist, and the interactive models are often identified. In the linear model, policy formulation is viewed to occur as a logical, technocratic sequence comprised of agenda-setting, decision-making, adoption, implementation and evaluation. The incrementalist model modifies this view, and argues that policy-makers embark on policy changes by making small, marginal changes to existing policies (Grindle and Thomas, 1991). In this regard, policies evolve slowly, rather than changing in drastic steps. As noted by Sutton (1999) and others, the incrementalist approach may be valid only in instances of policy reform, and appears to be inapplicable in cases when policies are being developed de novo. Finally, in the interactive model, the focus is on the role of policy elites tasked with the actual implementation policy changes (Grindle and Thomas, 1990). The model presents the policy process in a political economy framework, where various actors, who are likely to benefit or lose from a policy change, seek to influence the final outcomes of implementation. Although maintaining a rationalist framework, the interactive model acknowledges the policy process, and the broader political context needed for policy reform.

Empirical evidence as well as recent research challenge the validity of a purely rational approach to policy-making (Sutton, 1999). Additional models influenced by theories from political science present a more complex characterization of the policy process. In such models, the role of ‘external factors’ in influencing the logical sequence of policy making
is emphasized. These political models include frameworks derived from policy networks, agenda-setting, policy narratives and policy transfer (Neilson, 2001). For policy networks, policy emerges from a process of conflict, negotiation, bargaining and coalition formation, among different interest groups (Grindle and Thomas, 1991). It involves groupings such as issues networks, epistemic communities, policy communities and advocacy coalitions. In the agenda-setting models, emphasis is placed on the flow and timing of policy processes. This model examines how and why certain issues or alternatives appear on the policy agenda, while others do not. According to Kingdon (1984), the policy process consists of multiple streams, comprised of problems, solutions and politics. A policy change occurs when a problem stream, is adequately addressed by a solutions stream, in a politically favorable environment.

Frameworks based on policy narratives are derived from the literature on discourse analysis, and view a given policy as being shaped by a particular discourse. A given policy narrative is situated within a particular discourse, and provides a ‘story’ which simplifies an otherwise complex issue. Finally, the policy transfer model contends that policy ideas developed in a given geographical location may be transferred, and applied, in other geographical locations with the assistance of agents such as international organizations or researchers (Dolowitz and Marsh, 1996).

We find that the applicability of the various models available may be determined by the intended policy change, and the prevailing policy context. In the concluding section of this chapter, we discuss the theoretical framework adopted in this study, which combines various elements of models discussed above.

2.4 Research Utilization

A final theoretical area of concern is on the subject of research utilization. Although this paper attempts to elucidate the process of trade policy formulation in Nigeria, our primary concern is to assess the extent to which research influences policy outcomes. An extensive literature exists on the subject of ‘knowledge utilization’, and it is not our intention to
provide a comprehensive review here.\(^5\) However, it is important to begin with a definition of ‘use’ or ‘influence’, which is often problematized in this literature. As with many conceptual frameworks on the policy process, various models exist, each with its context-specific explanatory power. Important sources of conceptual definitions are traced to the works of Caplan (1979) and Weiss (1979).

For Caplan (1979), knowledge utilization may occur either as ‘instrumental use’ or ‘conceptual use’. Instrumental use involves micro-level decision-making, in which knowledge is used to guide minor, incremental policy changes. In contrast, ‘conceptual use’ is associated with more macro-level decision-making. In such instances, research utilization enables more fundamental shifts in the policy maker’s reference paradigm. Caplan’s categorization accommodates Lindquist’s (2001) earlier classification of policy changes as being routine, incremental, fundamental or emergent: an instrumental use of research may occur during routine or incremental policy changes, whereas fundamental or emergent policy changes require more conceptual use of research.

Weiss (1979) further provides a more checkered classification of research utilization, identifying seven models of research use as: the knowledge-driven model, the problem-solving model, the interactive model, the political model, the tactical model, the enlightenment model, and the intellectual enterprise model. The knowledge-driven and problem-solving models emerge from a rationalist framework in which research outputs are intended to directly generate new frameworks or provide answers to guide decision-making and policy formulation. Weiss contends that research outputs may not have a direct impact on policy-making as suggested by the knowledge-driven and problem-solving models above. Instead, the impact of research findings occurs slowly, by shaping existing discourses and ideas, which influence the formulation of new policies. This is the enlightenment model, and the process of research transfer is termed as ‘percolation’. More

\(^5\) See for example, Lindquist (2001) and Neilson (2001) for representative discussions on this subject. More recently, a number of international agencies and think-tanks such as IDRC and the Overseas Development Institute have initiated various research projects to examine research utilization in the formulation of development policies.
recently, the discussion on knowledge utilization has been extended to examine issues such as perceived influence or ‘faking’ influence (Stone, 1996; Krastev, 2000).

In our view, a direct instrumental use of research to influence the adoption of the CET in Nigeria did not occur. It is our hypothesis that a more nuanced and limited process of research utilization, complemented by other external factors, resulted in Nigeria’s adoption of the CET.

2.5 Conclusion

This chapter has examined the various theoretical frameworks employed in discussions on the policy process and research utilization. Each of the existing frameworks provides useful analytical insights for a given instance of policy change. As noted earlier, the adoption of the CET in Nigeria marked a significant change in the country’s trade policy. This policy change may best be classified as intermediate between fundamental and emergent, to borrow Lindquist’s (2001) earlier terminology. **Fundamental** because it involved a significant reform to the country’s tariff policy, with a reduction in the average unweighted tariff from about 30 per cent to less than 20 percent (IMF, 2005). The policy change was also **emergent** as it involved an instance of autonomous trade liberalization by Nigeria, and a radical change in economic policy to adopt a more open trade regime.

In analyzing the trade policy formulation in Nigeria, we find it useful to adopt an interactive model of the policy process (Grindle and Thomas, 1990). This model is appropriate as it stresses the role of a policy elite during the implementation phase of a policy change, which appears as an important component of our argument. The emphasis on the implementation phase of the policy process also enables us to provide a clearer contextual picture of other interacting factors which influenced Nigeria’s adoption of the ECOWAS CET. However, to focus solely on the role of a policy elite would underestimate the role of external factors in the policy process. In this regard, we complement our analyses with elements of the **policy transfer** model, and recognize that some ‘borrowing’
of policies and best practices via international channels, occurred during the CET adoption process (Dolowitz and Marsh, 1996).

Further, we believe models of problem-solving approaches and enlightenment, provide insight to our understanding of the research utilization during implementation of the CET in Nigeria (Weiss, 1979). It is our hypothesis that a limited process of direct research utilization occurred, when specific evidence was needed by the policy elite or bureaucrats to support their case for reform. In the broader sense, however, we believe the percolation of new ideas, which gradually altered previous assumptions and development strategies, was influential. The ‘creeping’ in of new ideas was nuanced and diffuse, but important in altering the vocabulary of trade policy debate in Nigeria.
3 The Context of Trade Policy Formulation

3.1 Introduction
In order to investigate the role of research in trade policy formulation, it is important to review the existing context in which trade policies are developed in Nigeria, and the web of factors which shape the trade policy environment. In this chapter, we examine how various actors, institutional structures and processes interact, in the process of trade policy formulation. We demonstrate in this chapter, that a history of weak institutional capacity in public administration has significantly weakened the scope for effective trade policy-making by the bureaucracy, resulting in the adoption of ad hoc trade policy measures, often supported by vested interest groups with close links to the ruling state elite. Adoption of the common external tariff provided an opportunity streamlining external tariffs, ensuring that the tariff regime was simplified, transparent, and predictable.

3.2 The Trade Policy Process in Nigeria
The 1999 Nigerian Constitution provides for a presidential system of government comprised of an executive, legislature and judiciary, with three tiers of government (the federal, state and local governments). The president, vice-president and appointed ministers constitute a Federal Executive Council (FEC), which is chaired by the President. In general, the FEC is responsible for the formulation and implementation of policies and programs for the Federation. The legislative arm of the federal government is comprised of a bicameral National Assembly, with an upper house (the Senate) and a lower house (the House of Representatives). New policies and bills are designed and proposed by the Executive branch of government with the assistance of the formal bureaucracy. Ratification of policies (both domestic proposals and international treaties), however, is conducted by the National Assembly.

Regarding trade policies, the actual negotiation and formulation of policy is conducted by the Federal Ministry of Commerce (FMC), with support from the Federal Ministry of Finance (FMF), the Federal Ministry of Co-operation and Integration in Africa (FMCIA),
and the National Planning Commission (NPC). The FMF oversees the setting and administration of taxes and duties, whereas the National Planning Commission ensures complementarity of new trade treaties with existing national development plans. Figure 1 summarizes the process of trade policy formulation which is to be expected.

In practice, the formulation of trade policy occurs differently. Following decades of poor economic management, Nigeria’s public administration capacity had been significantly weakened, particularly under military rule. The capacity of the civil service to generate and implement evidence-based policies deteriorated, resulting in the adoption of ad hoc measures as instituted by a ruling political elite along with vested interest groups with strong political ties. For trade policy, the result was the development of a policy environment and tariff regime which was viewed as complex, opaque, and largely unpredictable.

In a sense, the utilization of political authority to support clientelist networks reflects van de Walle’s characterization of the African state as often being ‘neo-patrimonial’ (van de Walle, 2001). Neo-patrimonial states typically have features of a Weberian rational-legal system, with a modern bureaucracy, a formal legal system, and a marked distinction between the private and public spheres. This formal structure is however weak in practice, as it is often undermined by patrimonial practices where officeholders utilize public resources for private ends, and political authority frequently supports clientelist networks. Where there is a large state intervention in the economy, or where there is weak resistance from non-state actors, such patron-client networks serve as important avenues through which patronage and favors are provided, using economic instruments such as import licenses and the granting of quotas. In such a restrictive trade environment, clientelist networks create avenues for rent-seeking behavior. To the extent that a state elite utilizes political authority to provide patronage, there is a tendency for policy formulation to become centralized and driven by vested interest groups, with limited consultation from other stakeholders.

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See for example, Herbst’s (1993) discussion on the use of quotas and licenses in Ghana, prior to structural adjustment reforms.
But this is not to argue that non-state actors, such as civil society, the organized private sector or researchers have no influence in the policy process. Such non-state actors do influence the policy environment, albeit in a limited capacity. As argued elsewhere by Bates (1990) and others, policy formulation may also be viewed as the outcome of bargaining processes involving various interest groups. In this pluralist view, policy formulation is assumed to maximize the welfare of various competing interesting groups.

In assessing the role played by research in the process of policy formulation, it is important to bear both theoretical approaches in mind – the neo-patrimonial view, as well as one, predicated on interest group behavior. The scope of research impact differs in each of the models above. While research may be disregarded in a neo-patrimonial framework, research may have an impact in an environment where policy is formulated by competing interest groups. In this regard, evidence may be required to support some proposed policy programs. It is our hypothesis that gradual changes are occurring in the Nigerian trade policy environment, with the state adopting a liberalized and more open trading regime. As discussed further in the next section, this is in marked contrast to regimes of high tariffs and protectionism which characterized Nigerian trade policy in the past. In a more open trading framework, the autonomy of the state to impose ad hoc trade measures is limited. This creates a complex policy environment for trade formulation, which is influenced by interest group politics but also retains elements of a clientelist political system.
Figure 1: The Formal Trade Policy-Making Process in Nigeria

Source: Adapted from Ruffer et al., (2004), The Political Economy of Trade Policy in Nigeria
3.3 Existing Trade Policies in Nigeria

Recent policy statements by the Nigerian government acknowledge that trade can serve as an important tool in expanding the non-oil economy, in facilitating increased investments, in supporting technology transfers, and in promoting economic growth (FMC, 2002). Since 2003, the second administration of the Obasanjo government focused on economic reform which was encapsulated in an ambitious development plan, the National Economic Empowerment and Development Strategy (NEEDS). The NEEDS document articulated a bold statement on trade reform, reflecting an increasing need by the Nigerian government to expand its non-oil export performance, reduce levels of protection, and increase its integration into the global economy (NPC, 2004). Indeed, key components of the proposed changes to trade policy had been presented in an earlier government document, the national Trade Policy Document, approved in 2002 (FMC, 2002).

The commitment to openness necessary for the development of a competitive non-oil sector marked an important turning point in Nigeria’s economic policy. For most of the 1950s-1970s, Nigeria pursued some form of import-substituting industrialization strategy, which involved high tariff walls and protectionist trade policies. Both the NEEDS and the Trade Policy document acknowledge recent trends of economic globalization, and stress the need for increased integration of Nigeria into global value chains, if it is to fully utilize existing opportunities in the global markets (NPC, 2004).

Nigeria currently participates in a number of trade agreements, at the multilateral, regional and bilateral levels. Multilateral trade involves Nigeria’s activities at the WTO while its regional trade activities are primarily centered on trade issues in ECOWAS. Nigeria also participates in bilateral trade schemes and benefits a number of preferential trade schemes such as AGOA and the EU-ACP Agreement.

Following the structural adjustment programme (SAP) in 1988, a seven-year tariff schedule was adopted, which significantly reduced tariff averages and the trade-weighted average tariff from about 33 percent to 23 percent (TPR, 2003). A subsequent revision to the tariff structure in 1995 further reduced average tariffs and simplified the tariff structure. Despite these revisions,
however, the tariff regime prior to the adoption of the CET was still largely viewed as opaque and complex. Indeed since 1978, the government had introduced policies on import prohibitions, which provided for an outright ban on selected products, which were viewed as strategic for the economy, or in response to complaints from manufacturing sector lobbies. The \textit{ad hoc} use of import prohibitions as well as other upward tariff revisions greatly reduced the predictability of the tariff regime, as actual tariffs applied at ports often deviated from published tariffs.

3.4 The Role of Stakeholders

As noted earlier, the Federal Ministry of Commerce (FMC) serves as the principal government body tasked with formulating and negotiating Nigeria’s trade policies. In conducting its functions, FMC is assisted by the Federal Ministry of Finance, the Central Bank of Nigeria and various sectoral ministries (including the Federal Ministry of Transport, Federal Ministry of Industry, etc). A broad range of trade policy measures and instruments are utilized by the Nigerian government, including a duty drawback scheme, export credits, and an export processing zone initiative. Effective coordination of the various trade-related agencies is achieved via a Trade Policy Advisory Council (TPAC) which is convened by the Federal Ministry of Commerce\textsuperscript{7}.

To facilitate dialogue with other stakeholders, the FMC also convenes the National Focal Point on Multilateral Trading Matters, which provides a forum for consultation and dialogue on trade issues with other non-state actors. Private sector coalitions remain the dominant non-state stakeholders in Nigeria’s trade policy environment, with an increasing participation from civil society, and a somewhat more limited presence of the research community. The Minister of Finance also chairs a Tariff Revenue Board, which is tasked with overseeing issues related to tariff revisions. The Tariff Revenue Board is comprised of various stakeholders drawn from government as well as other private sector institutions.

\textsuperscript{7} Among members of the TPAC are institutions such as, the Nigerian Customs Service, the Nigeria Port Authority, the Nigerian Export Promotion Council, the Nigerian Export and Import Bank, the Nigeria Export Processing Zones Authority, the Nigeria Investment Promotion Council, the Nigeria Tourism Development Council, the Bureau for Public Enterprises, the Nigerian National Petroleum Council, and the National Food and Drug Administration and Control, and the Standards Organization of Nigeria.
The organized private sector (OPS) serve as the major coalition in influencing the national trade policies. The OPS is comprised of various private sector institutions such as the Manufacturers Association of Nigeria (MAN); the National Association of the Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA); the National Association of Small Scale Industrialists; the Association of Nigerian Exporters; banking institutions and professional associations. The views of the OPS are often articulated in various fora, particularly via various organized workshops as well as through the local press. Other civil society institutions such as non-governmental organizations (NGOs), faith-based institutions and consumer advocacy groups as well as the Nigerian Labour Congress (NLC) are only recently emerging as contributors to the trade policy dialogue in Nigeria.

Although defending different constituencies, both the organized private sector and civil society tend to coalesce around common positions opposed to trade liberalization. In recent times, various domestic civil society organizations including the organized private sector have formed a coalition, termed the Nigerian Trade Network (NTN) to engage in dialogue with government on trade policy issues. The organized private sector remains the more vocal stakeholder, and is often interested in defending commercial interests of its constituents by extensive lobbying of various government offices and the Presidency. For the private sector, there remains an entrenched interest in ensuring extended periods of high tariffs to protect their private manufacturing and commercial interests. Civil society institutions, in contrast, aim at serving as advocates for ordinary Nigerians, particularly the majority of the poor in both urban and rural areas. In many regards, civil society institutions tend to support similar restrictive regimes, owing to a deep-rooted mistrust of neo-liberal policies, which is often viewed as being imposed on Nigeria by international financial institutions.
4 Evidence

This section outlines the information available to policy makers during their deliberations on revising Nigeria’s tariff policy. Three forms of evidence prominently featured in the policy arena prior to Nigeria’s adoption of the ECOWAS CET. First, an extensive literature on the welfare benefits of trade liberalization existed in the international research community; second, periodic reviews by both local and foreign analysts provided assessments of Nigeria’s trade regime; and third, concerned stakeholders generated a pool of impact assessment studies to estimate the effects of a common external tariff on Nigeria’s economy. Cross-country evidence on trade reform drew on information from a variety of countries, whereas trade policy reviews focused on Nigeria’s experience. The CET impacts assessments also tended to be demand-driven and highly specific studies.

4.1 Impact Assessment Studies of the CET

Various stakeholders made concerted efforts to establish a knowledge base for policy making prior to Nigeria’s adoption of the CET. Both the ECOWAS Secretariat in Abuja and Nigeria’s Federal Ministry of Finance commissioned studies to assess the likely effects of Nigeria’s accession to the WAEMU CET proposed for all ECOWAS countries. Two groups of economists independently explored the issue from a firm-level perspective. Additionally, civil society organizations and organized private sector groups undertook their own analysis as a basis for anti-liberalization advocacy. Adoption of the CET implied a shift in Nigerian average unweighted tariffs from 27.6 percent in 2001 to the UEMOA average of 12.1 percent, with 84 percent of tariffs above the UEMOA rates (FMF, 2003; AIAE, 2003). However, subsequent research led to various additional findings and recommendations on the optimum policy. We summarize the available evidence in Table 1.

Feasibility studies of an ECOWAS CET began as far back as 1982 but the issue was not seriously addressed by Nigerian authorities for another two decades.\(^8\) In June 2001, the Fiscal Policy Department of the Federal Ministry of Finance commissioned a *Comprehensive Review of*

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\(^8\) The ECOWAS Secretariat produced “A Study of Basic Aspects of a Common External Tariff for ECOWAS” with support from UNCTAD and UNDP (Aninat, 1982). The report was largely abstract and theoretical due to the infant stage of trade liberalization within ECOWAS.
Nigeria Customs and Excise Duties. The review comprised of three studies into the impact of a proposed WAEMU CET on: imports, revenue, and the balance of trade situation; farm/firm level and sub-sector protection, productivity and competitiveness; and implications of global commitments for tariff and trade policies (FMF, 2003: p.3). Three local consulting firms undertook the studies – Skoup and Company Ltd (Skoup), Enterprise Consulting Group (ECG), and Kuji Intercontinental Agencies Ltd (Kuji) respectively. The reports of this government study were substantiated by other studies to varying degrees.

The report’s review of Nigeria’s tariff regime between 1995 and 2001 revealed: poor economic growth, particularly a decline in manufacturing share of GDP from 6.5 to 6 percent; weak trade performance with an increase in imports by 36.8 percent; and high corruption which contributed to an import duty collection efficiency of only 38 percent. (FMF, 2003) Evidence from an independent study similarly emphasized the history of the poor implementation of the 1995-2001 tariff schedule, due to policy instability and poor implementation. (Agu et al, 2003) The researchers report that 1488 tariff lines (29 percent of the total) were amended or changed, especially in last 2 years of period, and levied additional taxes. The study noted the high revenue loss from collection inefficiency – estimated to be 15.66 billion naira in 2000, and 26.81 billion in 2001. The 2001 budget introduced other changes including – a reduction in average tariff rate and a decrease in non-tariff barriers (especially prohibitions).

4.1.1 Revenue Implications of the CET
The original FMF study and a subsequent summary review of findings estimated a potential loss of as much as 6.9 percent of government revenue which could be reduced to 2.9 percent through the use of accompanying measures (FMF, 2003; Adegbite 2005). A later summary report emphasized that these losses could be further reduced through an increase in collection efficiency 9 (Adegbite, 2005).

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9 In February 2005, the FMF commissioned a summary of findings on the “Impact of Proposed New Tariff Regime on the Revenue of the Federal Government of Nigeria”. This report focused on the revenue implications of tariff reform, in contrast to the earlier study which also estimated industry effects and took a holistic view of overall trade policy. The report was produced by a Nigerian consultant who reiterated earlier findings that although revenue losses were likely, these losses could be limited to as low as 2.9 percent of current revenue.
There was a large range in estimates of revenue sources from additional studies, depending on the use of static versus dynamic models, as well as aggregate versus disaggregate price elasticities. The EC-funded study noted the potential for “significant” revenue losses but affirmed that Nigeria would have “net welfare gains” (ECOWAS, 2002). Revenue effects were estimated to be as high as $1 billion to as low as $10 billion.\(^\text{10}\) Agu et al (2003) echoed government estimates estimate a 3-7% loss in government revenue (static analysis suggests 6.9% or up to 8.8% incl exemptions (65-80bn naira); dynamic estimates bring this estimate down to 2.9% (28bn naira) by assuming changes in additional factors including imposition of VAT, improvements in collection efficiency, decrease in pressure for exemptions: (p.19)). They also estimate a trade balance deterioration of about 3-6% of GDP (depending on whether aggregate or disaggregated import functions are used in the analysis).

### 4.1.2 Implications for Industry

The FMF study noted a decrease in the level of effective protection from 82 percent to 34 percent but did not look further into the firm-level impact of this decrease in protection. Most information on sector-level effects of the CET comes from non-government sources. One such study was produced by the World Bank and another two by the African Institute for Applied Economics (in collaboration with OXFAM). These reports concerned themselves with farm and firm-level effects of tariff reductions. Based on survey data of 232 Nigerian firms, the World Bank study found “small” direct costs for the manufacturing sector with estimated decreases in employment, wages, and profits of about 3 to 4 percent.\(^\text{11}\) The researchers concluded that the manufacturing sector would be able to survive the CET, once again if an “additional set of measures” is enforced (Marchat and Rajhi, 2004, p. 31).

In contrast, a study on the farm-level effects of the CET was less optimistic. (AIAE, 2005) The analysts used rice, sorghum and cassava as the focus of their analysis due to the role of these commodities in poverty reduction and livelihood sustainability. Their study using trend analysis

\(^{10}\)The first estimate is based on a decrease in trade unweighted tariffs and an aggregate price-elasticity of imports; the alternative estimation uses disaggregated data analysis using the SMART model created by UNCTAD and the World Bank; authors noted that the large difference possibly due to high commodity-specific price-elasticities, and the potential that missing data on some tariff lines distorted the results

\(^{11}\)In 2001, the World Bank’s Regional Program on Enterprise Development undertook a survey of 232 Nigerian firms, representing 60 percent of value added and one third of employment in the formal manufacturing sector.
revealed that high protection ‘coincided’ with high turnover and growth. Similarly, simulations using a partial equilibrium model demonstrated that a decrease in tariffs would lead to a decrease in production and decline in the agricultural sector.

These findings were supplemented by private actors and civil society groups who undertook their own research in an attempt to influence policy, using less scientific methodologies. The organized private sector (lead by the Manufacturers Association of Nigeria – MAN) fervently opposed the FMF’s adoption of a CET. MAN surveyed members on their perceptions of the impact of a CET and claimed that the majority of firms felt that the CET would be detrimental to their businesses but did not provide any quantitative support for this position. Arguments from the Nigerian Labour Congress (NLC) largely advanced from internally generated statistics on firm closures and employment loses in trade union members. In particular, the NLC published a study of the CET’s impact on the highly sensitive textile industry following the announcement of Nigeria’s adoption of the CET, and recounted the dramatic decline of the textile industry. (Aremu, 2006).

4.1.3 Recommendations for Tariff Policy

Most of the studies agreed on Nigeria’s eventual adoption of the WAEMU CET in light of the potential benefits, including: enlarged markets (through eventual ECOWAS customs union); policy credibility and lock-in; learning ground and practice for the EPA and NEPAD; cheaper imports of raw materials and capital goods (which account for 60 percent of imports for manufacturing); and lower rates and dispersion which could increase collection efficiency and reduce pressure for exemption, as well as incentives to smuggle (Agu et al, 2003).

Studies, however, differed in their recommendations on the temporary measures to be used in the progression towards full implementation of the CET. The original FMF report recommended “phased implementation” of a five-year tariff plan with six initial bands (0, 5, 10, 20, 30 and 50 percent) converging to the four WAEMU CET bands (0, 5, 10, and 20 percent) by the end of the tariff regime. The OPS and NLC recommended a ten-year phase-in of the CET. In contrast, the ECOWAS and World Bank studies called for more immediate implementation, leading to full harmonization to the WAEMU rates within three years of initializing the policy.
Unlike most of the studies which did not question the classifications speculated under the WAEMU CET, the USAID study viewed the CET as still being open for negotiations. The analysts, therefore, recommend two types of exception: Type A exceptions which are temporary and negotiation on Type B exceptions which countries wish to maintain in the long run but should try to reconcile with the ECOWAS CET; the study also recommended changes to goods classification to reflect poverty reduction incentives and a view towards encouraging domestic production and local value-added.

Beyond their tariff-related suggestions, several studies called for “complementary measures” to strengthen supportive institutions and minimize the short-term costs of reform. Suggestions of complementary measures include: increasing VAT, customs reform to improve collection efficiency, rationalization and elimination of exemptions, capacity building for related agencies, and exchange rate devaluation (FMF, 2003; Agu et al, 2003).

Additionally, Agu et al (2003) fervently recommend that policymakers “build credible constituencies to ensure sustainable change” by increasing stakeholder consultation with agents such as the OPS and NA for support, they also call for more “empirical evidence” for informed debate. The authors note that protectionism is the ‘popular rhetoric’ among policymakers, journalists, special interest groups in Nigeria (for example the House of Representatives proposed a motion in 2002 to urge executive withdrawal from WTO (p. 5)). There is pressure on policymakers to protect strategic sectors or industries based on the American example. Potential sectors for protection include textiles (for employment considerations), food (for self-sufficiency), as well as iron, paper, cement, and sugar.

4.2 Studies of Nigeria’s Trade Policy
Various analysts have reviewed Nigeria’s trade policy since trade liberalization began in the 1970s. The resulting evidence includes: academic literature on the impact of trade policy reform on Nigeria’s economy; regular reports by international organizations; and civil society appraisals of the effect of trade policy on poverty. In some instances, the studies were available to policy-
makers and provided conflicting views on the effects of trade liberalization. The general consensus was that the success of trade reform was not simply contingent on trade liberalization; complementary changes such as improving the investment climate and strengthening domestic infrastructures were also needed.

4.2.1 Academic Literature

Academic research has primarily evaluated the effect of trade policy on Nigeria’s economic performance before, during, and after Nigeria’s implementation of a structural adjustment programme in 1986. Research has largely resulted from local scholarship although the most prominent work includes collaborative efforts supported by external funding.\textsuperscript{12}

Nigeria’s trade policy following independence was largely based on an import substituting strategy which did not significantly improve Nigeria’s industry (Akinlo, 1996). Protective measures generated only a marginal increase in manufacturing value added – the average growth rate for the sector was a constant 13 percent, except for two brief periods when it declined to about 10 percent (Akinlo, 1996). ISI policies continued through the early 1980s until Nigeria’s adoption of a SAP in 1986.

Results from studies on the impact of trade reform were mixed and depended heavily on the methodology used. In most cases, trend analysis suggested that liberalization was associated with negative effects, particularly on the manufacturing sector. For example the manufacturing value-added growth rate fell from a pre-SAP average of over 10 percent, to 5 percent under SAP, and both output and real profits decreased (Akinlo, 1996). Moreover, decreases in nominal tariff rate tend to be associated with decreases in employment, capacity utilization, and local sourcing of raw materials, with positive effects only resulting from decreased production costs (Akinlo, 1996; and Adeninkinju 2005). A review of graphical correlation in the post-SAP period (1988-

\textsuperscript{12} The African Economic Research Consortium (AERC) has coordinated two major projects of particular relevance to considerations on Nigeria’s tariff policy reform. The first is a four volume series on \textit{Regional Integration and Trade Liberalization in Sub-Saharan Africa} which includes a case study on Nigeria’s trade policy between 1970 and 1993 (Ajakaiye and Soyibo, 1999). The second AERC initiative – \textit{Nigeria’s Imperatives in the New World Trade Order} (2005), was produced in collaboration with the University of Ibadan’s Trade Policy Research and Training Program (TPRTF), with assistance from donor funding. Similarly, the Friedrich Ebert Stiftung funded a collection of essays on \textit{Nigeria and the Neo-Liberal World System}, as part of a capacity-building workshop for members of the National Assembly. The essays were published as a book in November, 2005.
2001), however, did not demonstrate any particular relationship between nominal protection rates and output index (Adenikinju, 2005).

Additional evidence from linear regression models proved inconclusive. Results from ordinary least squares regression analysis for 1970 to 1999 indicated that tariffs had a positive and significant effect on output, but no effect on growth of exports or imports (Adenikinju 2005). However, Ajakaiye and Soyibo (1999) adopted a slightly different approach to standard time-series analysis. They identified four episodes of trade liberalization between 1970 and 1993 (in 1970-76, 1986-87, 1989, and 1992), based on policy account, tariff index, and trade intensity measures. Using regression techniques, the authors found that only the first instance of liberalization (1970-76) increased real imports, while none of the four episodes had a significant effect on real GDP.  

Estimates based on simulation models provided the strongest indication that increased trade liberalization in Nigeria would likely generate net socio-economic benefits. The estimated effect of tariff reduction on the manufacturing sector included: increases in real GDP growth, real household income, private consumption, as well as both exports and imports; while the only negative effect would be a minor decrease in government revenue (Adenikinju, 2005). Likewise, liberalization in the agricultural sector was found to generate increases in total welfare, export revenue, and government revenue from agricultural tariffs (Ogunkola, 2005).

Altogether, the unconvincing link between tariffs and economic performance indicates that Nigerian producers are sensitive to more than just trade policy. One leading factor that probably contributed to the manufacturing sector’s weak performance is the exchange rate (Akinlo, 1995; Adewuyi, 2005; Adenikinju, 2005). Additionally, producers’ high dependence on imported goods is likely to increase the cost of production and reduce competitiveness.

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13 Ajakaiye and Soyibo emphasize that only the 1986-87 episode occurred as part of an export-promotion strategy (i.e. the SAP), whereas the other episodes took place in the context of a largely import-substituting policy with liberalization geared towards raw material and capital input sourcing.

14 Adenikinju (2005) uses a computable general equilibrium model based on a 1999 Social Accounting Matrix to simulate the effects of a 50 percent reduction in tariffs on all imports, which is consistent with the most basic WTO trade liberalization agreements.

15 Ogunkola (2005) used UNCTAD’s Agricultural Trade Policy Simulation Model and tested three scenarios based on the proposals of multilateral liberalization currently being negotiated by WTO members under the Uruguay Round Agreement on Agriculture.
inputs and the lack of local technology are also significant (Akinlo, 1995; Adewuyi, 2005). Similarly, it is difficult to ignore the role of infrastructure costs which are a primary expense for Nigerian businesses (Ajakaiye and Soyibo 1999; Adenikinju 2005).  

Nigeria’s industrial decline, therefore, likely resulted from a combination of interrelated factors. Akinlo (1995) postulates that the fall in oil prices and concurrent exchange rate depreciation in the early 1980s led to a decrease in foreign exchange reserves which limited firms’ access to spare parts and raw materials. Decreased oil revenues also reduced government spending and restricted the supply of credit. Meanwhile, the common practice of importing technology (especially among multinational companies) and a dearth of local research hampered the development of home-grown technologies. Finally, utility and transport costs dramatically increased in the post-SAP period, which exacerbated the declining competitiveness of Nigerian businesses (Ajakaiye and Soyibo, 1999).

Regional integration has been another elusive objective of Nigeria’s trade policy. On this issue, Ajakaiye and Soyibo (1999) indicate that only the 1986-87 liberalization significantly increased Nigeria’s imports from ECOWAS countries while neither the SAP nor the 1989 liberalization episode affected export shares. Sampled firms in their study received an average of 29 percent of their imported raw materials from ECOWAS countries in 1994 while only 10 percent of firms engaged in exporting. These responses suggest that intraregional trade plays only a minor role in Nigeria’s production and was therefore largely unaffected by ISI policies.

Besides manufacturing sector issues, food security has been another subject of academic study. The evidence suggests that despite significant efforts through agricultural trade and related reforms, Nigeria has not attained food self-sufficiency (Oyejide et al, 2005; Ogunkola 2005). Nigeria remains a net importer of food and food items still dominate Nigeria’s total imports (Oyejide et al, 2005). However, the post-reform status of national food security has improved compared to in the pre-reform period and there has been a sustained increase in the production of staples even in the post-reform period.

16 Responses from a survey of 48 manufacturing firms indicated that expenditure on utilities and transport constituted over 86 percent of firms’ indirect production costs in 1993. (Ajakaiye and Soyibo 1999)
As with the manufacturing sector, findings on the effect of trade policy on the agricultural sector also depend on the research methodology. Trend analysis demonstrates a positive relationship between tariffs and agricultural production which would suggest successful ISI. Results using the market share model reveal that the agricultural sector lost 6 percent of its share of total output between 1981 and 2001; yet, the agricultural sector accounted for 37 percent of Nigeria’s total increase in output. On the issue of job creation, the agriculture sector’s share of total employment fell from 54 percent in 1980 to 43 percent in 1990; however, total employment increased from 15.74 million in 1980 to 16.55 million in 1990 (Ogunkola 1995).

Finally, import prohibitions have been a major instrument of Nigeria’s trade policy and as such are an important subject of research (Bankole et al. 2005; Ruffer 2004). Bankole et al (2005) contend that prohibitions did not increase in growth in most cases. The authors focus on the highly politicized textile industry which has been affected by bans since the late 1970s. They find that despite an almost consistent ban on imports, the output and employment in the industry have performed poorly. Moreover, the effectiveness of import prohibitions has been compromised by the influence of vested interests in determining what goods to prohibit. Additionally, the balance of payments has not improved as a result of bans, which alludes to inefficient implementation of the import prohibition policy and heavy smuggling (Bankole, Ogunkola, and Oyejide, 2005; Ruffer, 2004).

Overall, therefore, academic literature illustrates that the effect of previous import-substitution and trade liberalization policies on Nigeria’s economy has at best been weak. This suggests that policy-makers seeking to stimulate growth in the economy must address a host of factors besides the nature of the country’s trade regime.

17 Import prohibitions are attractive to policy-makers in principle due to the fact that they are relatively easy to administer and monitor, and potentially offer a tool to protect local industry and promote local input sourcing. Nigerian authorities additionally justify their imposition of bans on the basis of health, safety, and environmental reasons (Bankole et al 2005; Ruffer, 2004).

18 Ruffer (2004) estimates that losses resulting from imports of banned goods 8-10 per cent of total tariff revenue and speculates that banned goods would otherwise account for 5-10 per cent of total imports.
4.2.2 Reviews from International Organizations

Various international institutions, such as the IMF, World Bank and WTO conduct periodic reviews of Nigeria’s trade policy. These assessments offer descriptive information on the current trade regime as well as some degree of analysis on the economic impact of prevailing policies. These reports have retained a consistent view on Nigeria’s trade policy: criticizing the increased protection since 2001, noting the lack of predictability in the trade regime, and welcoming Nigeria’s proposed adoption of the ECOWAS CET.

Reports emphasize Nigeria’s protectionist regime characterized by high average tariffs, import bans, policy inconsistency, and non-compliance with WTO policies (WTO, 1998; 2005) On the whole, protection has been rising since 2001. The reports ultimately call for reduction in non-tariff barriers and a decrease in effective rate of protection.

The IMF has been particularly supportive of Nigeria’s move to adopt the CET from as far back as 2001, recommending that authorities “aim to move gradually” to basic structure of the WAEMU CET (IMF, 2001). Reports become increasingly eager for the adoption of the CET but later suggest that government could “consider accelerating the timetable for eliminating the import bans and the 50 percent tariff ban” (IMF, 2005).

4.2.3. Reports by Civil Society Organizations

In contrast to the scientific methodologies of other studies, civil society tends towards ‘action research’ on the impact of trade policy on poverty, advocating development-oriented policies. The Nigeria Trade Network conducted a Gender and Poverty Audit of Nigeria’s trade policy in 2005 (NTN, 2005). The study was based on survey perception of the poor of the impact of trade reform on poverty alleviation. Similarly, Aremu (2005) examined the progressive decline of Nigeria’s textile industry. As a first-generation post-colonial industry, the textile industry started out strongly and still constitutes a large part of Nigeria’s manufacturing sector, accounting for 27 percent of the home textile market and 72 percent of West African textile production (Aremu,

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19 WTO trade policy reviews are conducted in Nigeria every seven years under the WTO Trade Policy Review Mechanism; the IMF produces annual Article IV consultation reports but since last year has undertaken a bi-annual Policy Support Instrument review at the request of Nigeria’s Economic Reform Team; and the World Bank develops a Country Economic Memorandum every two to three years to provide short term direction for country activities.
However, the industry has suffered serious decline. The size of the industry declined from 175 firms at its peak in the mid-1980s to only 10 factories in stable condition in 2004. Employment fell from 350,000 direct workers to 40,000 direct workers over the same period, and many of the retrenched workers had yet to find new income sources.

The majority of civil society studies are critical of Nigeria’s trade policy. On average, respondents gave a 29 percent rating for the effectiveness of Nigeria’s trade policy as a tool for poverty reduction (NTN, 2005). On the issue of tariffs, the NTN report argues that trade policy has been used as a source of revenue generation rather than to promote economic development; but also observes that poor collection efficiency has meant increases tariff rates have not necessarily led to an increase in government revenue.

Job losses in the textile industry have had a particularly lasting impact on unemployment. Nonetheless, 90 percent of respondents in Aremu’s study felt government measures to revive the sector (including an import ban and efforts to reduce smuggling) were effective. Based on these findings, Aremu (2005) recommends the legislation of 10-year textile ban, a reconsideration of CET (e.g., yarn is identified as intermediate good and so attracts 10 percent duty, which Aremu argues will ‘kill’ the local spinning industry), and asks that the government in the short run impose an additional “import safeguard levy”.

Researchers recognize the impact of other factors on poverty as well as multiple causes of collapse of the textile industry, besides trade policy. These complementary factors include: cost of credit, infrastructure crisis, raw material crisis, poor management and outdated machinery, as well as labor cost, low productivity and non competitiveness. Also identified as problems were inconsistent government policies, (including waivers) and tariff reduction. In solution to these issues, civil society groups ultimately call for increased stakeholder consultation in policy-making in order to create a policy that is directed at poverty-eradication more than revenue generation.
4.3 The Economic Literature on Trade Liberalization and Growth

The current economic literature predominantly reflects the view that trade liberalization is an effective growth strategy; however, arguments for industrial protectionism were equally prevalent until the 1980s. At least 42 developing countries experienced per capita income growth rates of over 2.5 percent between 1960 and 1973, and 33 of these countries adopted import-substitution industrialization (ISI) policies (Rodrik, 1999; cited in UNDP, 2003). The apparent success of inward-oriented strategies provided considerable support for protective trade regimes.

A turn of events in the 1970s undermined confidence in ISI policies. To begin with, two studies provided evidence to suggest that high and dispersed effective rates of protection led to static inefficiencies in manufacturing sectors of inward-oriented economies (Little, Scitovsky, and Scott, 1970; Balassa, 1971). Although later research identified similar inefficiencies in open economies, the initial findings were shocking enough to fundamentally challenge the virtues of protectionism. Public opinion changed further when few ISI countries were able to sustain their strong performance following the 1973 oil crisis. Contrary to their robust pre-shock growth, Middle East and South American countries entered a period of economic decline while East Asian countries remained stable and South Asian countries became the new leaders in growth (UNDP, 2003).

Support for open trade regimes continued with the rise of the East Asian ‘tigers’, and their export-led growth in the 1980s. Subsequent research in the late 1990s contended that increased “openness” led to increased growth (most notably, Sachs and Warner, 1995; Edwards, 1998; Frankel and Romer, 1999; Dollar and Kraay, 2000). These studies generally used selected economic indicators as a proxy for trade policy and proceeded to test for correlations with growth rates. Sachs and Warner (1995), for example, found that countries classified as ‘open’ had annual growth rates which were 2.4 percentage points higher than those of ‘closed’ economies.

Despite their appeal, studies linking trade to growth have elicited significant criticism. Skeptics challenge the methodological foundation of these arguments. In particular, Rodriguez and Rodrik (2001) and Winters (2004) question the accuracy of “openness” or ‘globaliser’ measures, the
basis for determining causality, and the validity of econometric methods popularly used in cross-country regressions. Case studies focusing on individual country experiences of successful outward-oriented growth have circumvented many of the problems of cross-country comparisons and strengthened arguments for trade liberalization (see Srinivasan and Bhagwati, 2001). However, the process of generalizing these specific results is problematic.

Although scholars generally accept that trade liberalization can generate economic benefits, some strongly advocate the need for adopting other policies to sustain trade reform gains in the long-term. Proponents of this view note that even the East Asian ‘tigers’ used protective practices to kick-start growth in their economies before later taking advantage of trading opportunities through a combination of export-promotion strategies (UNDP, 2003). Recommendations of the appropriate complementary measures include policies targeted at issues of corruption, inflation, and investment; noting that the effects of various policies are often mutually reinforcing (Winters, 2004). Other studies stress the role of supportive institutions in protecting the economy from changes in internal and external factors (Rodrik, 2000).

Measured support for protectionism has resurfaced through arguments for ‘selective industrial policy’ which emphasize the importance of careful prioritization and sequencing of reforms (Lall, 2000). Additionally, experiential evidence from the ‘two-track approach’ used by China has also strengthened the case for some strategic protectionism.

Studies on trade reform in Africa highlight the complexity of sustaining reform policies. Collier (1991) points to past histories of policy reversal as a cause for African governments’ bad reputation in the international community. He recommends the use of commitment mechanisms as ‘agencies of restraint’ to ‘lock in’ reform policies and rebuild credibility. Meanwhile, other analysts emphasize the importance of considering political economy aspects in the African context, such as – rural-urban income redistribution, government indiscipline, and information deficiencies (Rodrik, 1999).
We believe this broad literature of the mixed evidence on the relationship between trade liberalization and growth was available in various forms to bureaucrats and influential policy makers involved in Nigeria’s tariff reform.
5 Links: Influence and Legitimacy

5.1 Introduction
This section evaluates the networks between key stakeholders. Crewe and Young (2005) argue that research can increase knowledge utilization by developing “close personal links” with policy-makers and “appropriate chains of legitimacy” to the various actors they represent (p. 14). This hypothesis suggests that the quality of interaction between researchers and policy-makers critically defines the type of ‘spaces’ available for knowledge-based policy-making. Strong links create opportunities for researchers to effectively disseminate their research and such connections may also improve the quality of research itself. To understand the nature of trade policy-making in Nigeria, therefore, we must consider who are seen as ‘experts’ in this field and how these experts establish legitimizing relationships.

Within the framework of the ‘two communities’ model, Caplan (1979) emphasizes the importance of “trust, confidence, and empathy” in bridging the gap between research and policy (p. 459). Research utilization theories and empirical evidence point to a lack of interaction as a major reason for poor knowledge uptake. Caplan, however, stresses that the issue is not one of improving the quantity but rather the quality of links, particularly in cases of ‘meta-level’ decisions which require the synthesis of various information sources. Effective linkages are those which influence the “value and ideological” considerations of policy-making instead of merely increasing interaction between members of the two communities (p. 461).

Sabatier’s ‘advocacy coalition’ model offers a different understanding of the role of links. Under this framework, policy environments are characterized by competition between conflicting groups. Each ‘advocacy coalition’ is made up of members who may not have shared interests, but espouse a set of common beliefs. Although it is difficult to influence a coalition’s fundamental beliefs, researchers with the correct connections can influence the ‘secondary aspects’ that a coalition promotes and alter a coalition’s specific recommendations on policy.

20 Researchers working on a decentralized livestock services project in Indonesia (DELIVRI) found that “when people had faith that the research they produced would be well received, and somebody would respond to it, they would gather good quality information and articulate it well.” (Crewe and Young, 2005. p. 17)
21 Caplan’s survey of 204 influential executives in the US Government revealed that policy makers were largely receptive to the idea of using research in decision-making, which suggests that improved interaction would increase research uptake.
Furthermore, the links that advocacy coalitions themselves forge with policy-makers can affect policy since the prevailing policy stance depends on whichever “dominant coalition” controls the “levers of power” (Lindquist, 2001).

Often, individuals play an instrumental role in encouraging research uptake. Lindquist (2001) describes ‘policy entrepreneurs’ as advocates who are acutely familiar with the policy environment and capitalize on “windows” for reform as they open (p. 22). Likewise, Zilberman’s concept of the knowledge transfer process is one in which research ‘wholesalers’ deliver basic information to ‘retailers’ who process it and then sell specialized products to decision-making ‘end-users’ (1997; cited in Garrett and Islam, 1998). This model emphasizes the work of intermediaries with personal insights on how best to package information for policymakers. Gladwell’s notion of ‘social epidemics’ is similarly based on the influence of individuals. According to Gladwell (2000), three types of ‘policy entrepreneurs’ advance policy: connectors serve as ‘networkers’ who transfer knowledge to key policymakers; mavens are ‘information specialists’ who gather information and then educate others; and salesmen use their charisma and persuasive power to gain exclusive audiences and acquire positions of trust (cited in Crewe and Young, 2005, p. 14).

Knowledge producers in Nigeria use various strategies to establish their legitimacy in trade policy debates. Information from government sources and international institutions often carries an inherent sense of legitimacy. In contrast, non-state actors must cultivate links more strategically. Crewe and Young (2005) note that claims of legitimacy based on “representation” must be supported by appropriate “systems of accountability”; whereas researchers seeking legitimacy on the grounds of “experience” must demonstrate their possession of the relevant knowledge and skills (p. 16). These considerations are particularly relevant to our analysis of representative umbrella groups in the private sector which would be held accountable to the individual firms, trade unions and other members that they claim to represent.

To begin with, we review the main channels through which stakeholders develop institutional relationships with Nigerian policy makers. Then, we briefly consider how individuals use their
connections to reinforce efforts of research utilization. Our analysis draws on a series of interviews conducted with key stakeholders (see Table 2 for a list of sources consulted).

5.2 Government Information Sources
When asked ‘who they rely on for research input’, Nigerian government officials most frequently cited in-house data sourcing from public institutions such as the Central Bank of Nigeria, Federal Office of Statistics, and National Planning Commission. Experiential knowledge from seasoned civil servants was also identified as a commonly-used basis for trade policy formulation. These responses are in line with Caplan’s concept of ‘instrumental’ knowledge use. Caplan (1979) found that bureaucrats regularly rely on public sources of information for micro-, intermediary-, and administrative-level issues. While institutionally accepted and easily available to policy makers, however, the ‘hard’ statistics of official data present a “narrow” image of reality which is insufficient to inform macro-level considerations of fundamental policies (such as the adoption of a new tariff scheme).

Public information sources become less legitimate in cases that require ‘conceptual’ utilization of research. In the midst of competing information sources, even government institutions need to establish strong links. Government respondents noted their reliance on outside sources to carry out their more complex studies. Nigeria’s institutional policy-making framework has a central organ for economic analysis. As the research arm of the National Planning Commission, Nigerian Institute of Social and Economic Research (NISER) is designed to serve as a think tank for the country’s social and economic policy. Despite institutional linkages with policy-making, NISER has been losing influence after a change in directorship. Additionally, the NPC is seeking increased independence from the presidency in order to increase its legitimacy. Although most federal ministries also have in-house research departments, the weak capacity and poor resources of these departments suggest that they make only nominal contributions to policy.
5.3 Local Research Community

Theories on knowledge utilization suggest that researchers can garner significant influence when they constitute a technical elite or ‘epistemic community’ (Sutton, 1999; and Crewe and Young, 2002). In her analysis of the policy process, Sutton (1999) documents how epistemic communities can play a substantial role in policy formulation by having access to privileged information and close links to policy-makers.

One way in which policy communities develop is when objective research institutions evolve into politicized ‘discourse coalitions’ that eventually shape the direction of policy, as was the case with think tanks such as the Brookings Institution and Heritage Foundation in the United States (Sutton 1999). Despite originating as neutral think tanks, The African Institute for Applied Economics (AIAE) and Trade Policy Research and Training Program (TPRTP) are two Nigerian institutions which have become associated with a specific ideology over time. Based in the Department of Economics at the University of Ibadan, TPRTP is a network of trade economists which tends to maintain a neo-liberal view on trade policy. One respondent described members as “espousing generic dictums on trade”. In contrast, AIAE is associated with a relatively more inward-looking perspective. The Institute is widely seen as employing a more practical research approach compared to the conventional techniques of TPRTP academics. Any distinction between practical and academic consultants is weak, however, as many researchers in AIAE were formerly academics.

Additionally, long-standing connections with government institutions grant researchers access to privileged information which Sutton (1999) identifies as an fundamental explanation for the influence of epistemic communities. Both institutions have played a role in policy. AIAE is a leading voice on issues of general economic policy and has played an influential role in formulating policies including the 2002 Trade Policy and Nigeria’s Poverty Eradication Strategy – NEEDS. TPRTP is a front-line player on issues of trade policy. TPRTP has had close associations with the FMC and the FMF’s Fiscal Department, to a lesser degree. Researchers from the TPRTP often feature in trade policy workshops organized by government and their own initiatives. Of late, TPRTP has played a particularly prominent role in preparing government officials for participation in multilateral negotiations, namely defining priorities for the latest
WTO Hong Kong meeting as well as the EU Economic Partnership Agreements. Although TPRTP and AIAE have participated in trade policy formulation, the fact that neither institution is based in Abuja may weaken their links to influential officials.

Academic journals and networks of economists have played some role in disseminating articles relating to trade policy. Of particular note is the Nigeria Journal of Economic and Social Studies (NJESS), published by Nigerian Economic Society (NES); as well as the African Journal of Economic Policy (AJEP); and the African Economic Research Center (AERC). These networks and journals have helped to publicize some of the leading work on trade policy. And, as mentioned earlier, both AERC and the Friedrich Ebert Stiftung have funded research projects on Nigeria’s trade policy.

5.4 Lobbyists
Research uptake is somewhat dependent on the relative legitimacy of scientific arguments versus lobbying (Crewe and Young, 2005). Nigeria’s policy arena is characterized by a significant presence of lobbyists. The major business associations in Nigeria have joined together to form the ‘organized private sector’. The OPS consists of three organizations with a broadly defined division of labor: MAN deals with manufacturing issues; NACCIMA addresses matters regarding trade and commerce; and NECA concerns itself with labor and social policy issues. Each association has some degree of in house research capacity with a research division that usually consists of two or three employees. Internal research is based on data gathered at quarterly meetings in which member firms and field offices present reports. Occasional surveys of member firms supplement basic statistics. Associations contract out more intensive studies to local consultants, usually with project-based funding from NGOs or donor agencies.

In contrast to the numerous OPS groups, the Nigerian Labour Congress (NLC) represents the main voice on labor interests. NLC’s research resources are similar to that of OPS groups, although the department has a more academic background. The ‘Labour Center for Social and Economic Research’ is headed by a trade economist and currently hosts a visiting scholar; Although both NLC and OPS have historical relationships with the government through service
on government advisory committees, sees itself as lacking “economic weight” of OPS groups because it refuses trade its political ideology for economic gains. (For example, speculation during Nigeria’s highly controversial constitutional review process suggested that prominent members of the OPS supported the ‘third term agenda’ in order to get business concessions in the future). NLC characterizes its interactions with government as being “antagonistic” compared to the “symbiotic relationship” between politicians and industrialists.

Despite their often conflicting interests, civil society organizations and business associations in Nigeria have coalesced under powerful ‘advocacy coalitions’. In the anti-liberalization camp, two main coalitions exist. Firstly, the National Association of Nigerian Traders (NANTS) is a highly-active alliance of over 5,300 corporate and individual members. NANTS is recognized by the European Commission as the representative non-state actor for EPA negotiations. Secondly, the Nigerian Trade Network (NTN) was conceived in July 2003 as a CSO and OPS advocacy platform for trade and investment issues, whose main membership comprises MAN, NACCIMA, NASSI, NLC, and NANTS. These advocacy coalitions offer a united front on trade issues to promote pro-poor policies. They benefit from the legitimacy of having the impact of a united voice, additional resources\(^\text{22}\) and prime location\(^\text{23}\). International NGOs have established significant links with NTN and NANTS to support research initiatives. Oxfam, SERI etc strengthen research uptake by supporting these advocacy coalitions.

Despite some initial involvement, representative consumer protection and women’s groups are no longer active participants in NTN. The Socio-Economic Rights Initiative (SERI) and Nigeria Association of Women Entrepreneurs (NAWE) were founding partners of NTN but have not maintained a strong affiliation. Media also has limited involvement in trade policy. This may be due inadequate capacity to engage with trade policy issues effectively. Journalists are seen as channeling others’ views instead of producing objective pieces which emanate from original research. Several of our respondents highlighted the generally low level of “economic literacy” within journalists.

\(^{22}\) NANTS and NTN receive the majority of their funding from member dues and international NGOs, namely OXFAM, the Heinrich Boell Foundation and the Friedrich Ebert Stiftung.

\(^{23}\) Both NTN and NANTS are based in Abuja which gives them close proximity to policy makers. Although NLC is also headquartered in Abuja, MAN, NASSI and NACCIMA are based in Lagos, maintaining a limited presence in Abuja through liaison offices.
Nigeria Economic Summit Group (NESG) represents an outward-oriented advocacy coalition. Due to its less confrontational discussion of trade policy issues, NESG is largely seen as being rational instead of sentimental. The group’s membership includes representatives from the policy community, multi-nationals, and industrial elite, which has strengthened the group’s legitimacy over time. NESG views were incorporated in drafting stages of Nigeria’s most recent trade policy (FMC, 2002). Moreover, the Annual Nigeria Economic Summit serves as a means for reinforcing the group’s relationship with policy-makers and preserving its prominent role in the policy debate. Unlike other OPS groups, the organization is not opposed to Nigeria’s adoption of a CET. Indeed, industrialists in the 2002 Summit called for capital goods and raw material tariffs to be harmonized to the WAEMU CET rates (AIAE, 2003: p. 21).

5.5 International Community

The literature on research utilization in development policy is largely written by researchers from developed countries and therefore emphasizes the necessity for foreigners to create appropriate relationships with local communities. On one hand it can be relatively easy for external actors to forge legitimizing links with government actors since expatriates if they establish themselves to be ‘internationally reputable consultants’ with ‘impartial’ views (Crewe and Young, 2005:15). Nonetheless, the donor-recipient relationship presents some challenges. Some government officials we encountered were rather skeptical about accepting outside research, which stems from concerns on a top-down approach to policy formulation. One civil servant we interviewed articulated the need to be wary of donor technical assistance offers in case they turn out to be “greek gifts”. In response to these concerns, international researchers must be conscious of their approach. Indeed, one responded described his aim as that of being a “trusted policy advisor” by keeping a low key and taking a guidance role but being cautious not to interfere. Generally, actors in the international community recognize that Nigeria’s trade policy is political and take a roundabout route to influence it, by focusing on general reforms and broader economic policy.
5.6 Policy Entrepreneurs

Institutional links in Nigeria’s policy environment are reinforced by individual movement between various groups: academics moving into civil society, private sector doing advocacy, civil service into civil society. Additionally, membership of certain organizations is cross-cutting. As mentioned earlier, for example, The Nigeria Economic Summit Group consists of academics as well as business people and national assembly members. Finally, individuals may belong to several groups concurrently. For example, some academics have established civil society organizations\textsuperscript{24} and some national assembly members are academics who own businesses.

Three individuals stand out as ‘policy entrepreneurs’ in Nigeria’s trade policy scene. Professor Oyejide of TPRTP serves as a maven who passes on relevant information through conferences and research publication. Ken Ukaoha, the President of NANTS, is another information specialist who has made great efforts to gather relevant information on trade issues and educates others through a weekly commentary in \textit{This Day} Newspapers, advocacy programs, and via the NTN. Finally, Professor Soludo (founder of AIAE and current governor of the Central Bank of Nigeria) served as a salesman before his political appointment. Indeed it could be by virtue of his role as a salesman that he eventually assumed a government position. Certain individuals within the have also served as policy entrepreneurs who played an influential part in promoting the CET.

\textsuperscript{24}For example, Professor Ariyo of the Department of Economics, University of Ibadan established the Center for Public-Private Partnership, an NGO which advocates for civil society participation in policy-making.
6 Adoption of the ECOWAS Common External Tariff

6.1 Introduction

Thus far, our assessment has provided a broad outline of the policy environment and available evidence, prior to Nigeria’s adoption of the ECOWAS CET. Our goal in this chapter is to synthesize our previous discussion, and identify the various factors which resulted in Nigeria’s commitment to reform of its tariff policies. Identifying the major drivers of influence for the policy change is a valuable exercise, as it enables us to assess the extent to which research input influenced the policy change. In our view, a convergence of three major factors catalyzed the eventual adoption of the common external tariff. We identify these three major factors as: the commitment to reform by the Obasanjo Economic Management Team; the activities of street-level bureaucrats in the Nigerian government; and the political commitment of the Obasanjo government to deepening regional integration in West Africa.

We focus on these three dominant factors for analytic convenience, as they enable a closer assessment of the potential role of research working along each of these channels identified. It is not our intention to over-simplify what appears to be a complex policy change, nor to underestimate the extent of lobbying by various vested interest groups resisting or supporting reform of Nigeria’s external tariffs. We recognize that these various contextual factors also impeded revision of Nigeria’s tariff regime, notably – political unpopularity of swift reform measures, rent-seeking objectives from vested interest groups, and low capacity of the public administration officials in drafting revised versions of the tariff policy. Indeed, although various ECOWAS leaders in the past decade had repeatedly emphasized the goal of deepening regional integration, process of adoption had often been slow.

We argue in this chapter that these three factors of – an economic reform program, activities of government bureaucrats, and a goal of political integration – coalesced at an opportune moment, mutually reinforcing each other, and ultimately resulting in the adoption of the ECOWAS CET. In the remaining sections of this chapter, we discuss further the factors leading to adoption of the policy, and subsequently, examine the influence of research, operating along each of these channels, in driving the policy change.
6.2 Reform Objectives of the Obasanjo Economic Management Team

At the inauguration of his second term in office in 2003, President Obasanjo made a commitment of economic reform aimed at improving the country’s economic growth, reducing dependence on the oil sector, generating employment, and increasing investments in the economy. This commitment was operationalized by the appointment of an Economic Management Team (EMT), chaired by the Minister of Finance – a former senior official from the World Bank. The EMT was essentially a team of technocrats: comprised of a few Ministers from important economic sectors, and heads of other relevant government agencies (such as the offices for Debt Management, Privatization etc.) with considerable international experience.

An ambitious reform program was outlined by the reform team, aimed at ensuring macroeconomic stability, improving efficiency of public expenditure management, tackling corruption, and improving the domestic investment climate. To achieve these goals, the EMT embarked on various macroeconomic and structural reforms programs. The reform team adopted an oil price-based fiscal rule for government budgeting, utilizing a prudent benchmark price in the budget, and saving revenues above the benchmark. Various public expenditure reforms were also adopted including the use of a medium-term expenditure framework for government budgeting; and instituting an audit mechanism to oversee government revenues (in the oil sector) as well as capital expenditures (IMF 2005). The macroeconomic reforms were broadly successful, resulting in improved macroeconomic indicators (strong growth rates, reduced levels of inflation, and increased level of foreign exchange reserves), the successful completion of a debt relief package, and the first ever sovereign rating of the Nigerian economy at BB- by two external agencies, Fitch and Standard and Poors (FMF, 2006).

Structural reforms – including privatization and institutional reforms – were more contentious to achieve. The structural changes included downsizing of the public sector, privatization of underperforming state enterprises, and finally, trade and customs reforms. Our evidence suggests that members of the reform team acted strategically in embarking on structural changes, pursuing reforms in a careful and sequenced manner, in order to minimize a backlash if unpopular measures were to be introduced. To support Nigeria’s renewed commitment to integration in the
global economy, reforms of the customs service, ports system and tariff regime were viewed as necessary.

Particularly on reform of the tariff regime, the economic reform team argued that tariff liberalization was needed to reduce anti-export bias in the previous tariff schedule, to reduce incentives for smuggling (due to Nigeria’s uncompetitive duty rates), and finally, to reduce duty rates for capital goods and raw materials to encourage the integration of Nigeria’s private sector into global value chains (IMF, 2005). Adoption of the ECOWAS CET provided an appropriate means of addressing these concerns, reducing the country’s average unweighted tariff rates from about 30 percent to below 20 percent (IMF, 2005; BOF, 2006).

Technocrats in the economic reform team embraced tariff reform, not only because it was viewed as important in supporting growth, but also as a means to simplify the tariff structure and reduce instances of rent-seeking practices. Research played an important role in influencing trade policy decisions of the economic reform team. As discussed later in this chapter, their knowledge of cross-country trade policy research, acquired from prior professional experiences, influenced the reform team members reinforced their commitment to adoption of the CET.

6.3 Activities of Government Bureaucrats

In addition, government bureaucrats, conducting routine administrative functions within the civil service, supported and facilitated the objective of trade policy reform. Besides the concerted progress on reform by the economic team as well as the government’s stated policies on trade reform (NPC, 2004), review of the trade policy would not have been achieved without the broader support of government bureaucrats. This is an important concern as previous attempts at reform programs had sometimes been stalled owing to weak implementation capacity or lack of support from the civil service25. Indeed, delays in Nigeria’s adoption of external agreements (such as WTO legislation) and inadequate participation in regional trade negotiations may be partly attributed to the weak and under-resourced capacity of trade-related departments. However, in the implementation of the ECOWAS CET, relevant government offices showed

25 Recent delays in port and customs reforms are testimony to this. See Business Day 18 May 2006 (c)
great commitment in achieving a timely revision of the tariff schedule. In our view, there were probably two main reasons for this broad support for tariff revision.

The first concern, largely procedural, emerged from the Nigerian Customs Service (NCS). Senior officials at the NCS noted that the legal basis of the previous Customs, Excise Tariff Decree No 4 (March 1995) had expired – and since 2001, *ad hoc* revisions had been made annually. Frequent and ad hoc revisions of the schedules had complicated customs procedures both for administrators as well as clients. In addition, the customs service noted that it was important for Nigeria to reconcile its tariff classifications with the current World Customs Organization (WCO) coding nomenclature, which was operational for 2002-2006 and was to be revised from 1 January 2007. It was envisaged that Nigeria’s timely adoption of the CET (in mid-2005), would permit some experience with use of the WCO 2002-6 nomenclature prior to the adoption of the revised schedule in 2007.

The second, and more important, reason for support from government bureaucrats resulted from a perceived benefit from tariff liberalization and regional economic integration, as well as the need to show Nigeria’s commitment to regional economic programs. In this regard, we believe research played a significant role in shaping discussions of government bureaucrats, both during informal exchanges as well as during organized committee meetings. There was a perceived benefit of tariff liberalization and greater openness to trade as public officials frequently compared Nigeria’s weak export performance (in the non-oil sector) with other emerging economies such as Malaysia, Brazil and China. It was often argued that by reducing duties on capital goods, raw material and intermediate products, Nigeria was more likely to improve its non-oil export performance. Moreover, Nigeria could also improve its integration into the world economy by participating in global production value chains: for example by importing machine parts or completely knocked down (CKD) components from China, and exporting finished products to regional and international markets. In addition, adoption of the CET was viewed by some public officials as an integral component of a broader economic integration project in the ECOWAS region. In past instances, Nigeria’s participation in ECOWAS negotiations had been

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26 See for example, *Minutes of Tariff Technical Committee Meeting of 14th February 2006.*
27 Again, see *Minutes of Tariff Technical Committee Meeting of 14th February 2006.*
limited (Olympio, 2006). For Nigerian trade negotiators, adoption of the ECOWAS CET provided an opportunity to provide concrete support to the regional economic program\textsuperscript{28}.

But this is not to argue that bureaucrats held sway, without protest from domestic stakeholders. The reform process was often contested at various stages. For example, the Nigerian Labor Congress as well as organized private sector groups have wielded significant pressure on the government to delay tariff reform. Based on the results of internal impact assessment studies, the manufacturers’ association, MAN, argued that ‘the overall effect of CET is to try to open ECOWAS market and facilitate the entry (indeed flooding of the ECOWAS) with manufactured products from the developed world’ (MAN, 2005; pp 57).

We believe research influenced the activities of government bureaucrats – in diffuse as well as specific ways. We examine the different modes of research influence in greater detail at the end of this chapter.

\textbf{6.4 The Politics of Regional Integration}

A final factor driving adoption of the ECOWAS CET in Nigeria was the broad political backing for the ECOWAS regional integration project offered by President Obasanjo. Throughout his tenure in office, Obasanjo has been identified as an elder statesman, not only in Nigeria, but perhaps, in most of Africa (EIU, 2006). The President’s statesmanship has been strengthened by his devotion to conflict-resolution in unstable African states and his support for democratic processes in other African states. Further, Obasanjo showed a genuine commitment to deeper pan-African integration, serving as a firm supporter of the New Partnership for Africa’s Development (NEPAD) program (EIU, 2006). Shortly after assuming office in 1999, the Obasanjo administration established a new government department, the Federal Ministry of Cooperation and Integration in Africa to address these concerns.

\textsuperscript{28} As ECOWAS Member States were also in the process of negotiating Economic Partnership Agreements (EPAs) with the European Union, Nigeria’s adoption of the CET (which involved unilateral tariff liberalization) provided an indication of the country’s commitment to deepen trade in the sub-region, and its pursuit of tariff liberalization. Nigeria’s specific position on EPAs is currently unknown.
We believe that Nigeria’s adoption of the ECOWAS CET, was significantly driven by a political motive, of presenting the country’s image as supporting the pan-African goals presented in initiatives such as NEPAD. Particularly, given Nigeria’s limited trade with ECOWAS countries, it is rather likely that steady political support for the reform program ensured its successful implementation. Clearly, without such political support, the work of technocrats and bureaucrats as discussed above may not have been implemented.

6.5 Discerning the Influence of Research

To understand the influence of research, it is important to outline the model of the policy process identified here. An interactive model of the policy process, complemented by international policy transfer shaped the CET adoption process in Nigeria (Grindle and Thomas, 1991; Dolowitz and Marsh, 1996). In line with the interactive model, we have demonstrated the central role played by a policy elite – the Economic Reform Team – in the implementation of Nigeria’s tariff reform, with political support form the Presidency. However, this is not to underestimate the importance of the policy context and the role played by various interest groups. As discussed in Chapter 3, the views of various non-state actors remained important in the policy debates on tariff reform. In addition, it is also important to note the role of international policy transfer of ideas and practices on tariff liberalization in influencing key decision-makers in the economic reform team.

Given an interactive and international policy transfer model of the policy process, we conclude that research influenced the adoption process in two main ways. First via a direct, but limited process, in which research inputs were used for direct problem-solving by policy elites on the economic reform team and also by government bureaucrats. A second influence of research occurred via a more diffuse process of enlightenment, in which research ideas gradually influenced the concepts that shape policy discussions. We discuss each of these factors further below.

Problem-solving approaches. As discussed in Chapter 3, some direct evidence – in the form of CET impact assessment studies – was utilized by members of the reform team as well as
government bureaucrats to assess the potential impact of a tariff reform. For decision-makers in the reform team, some evidence was probably acquired from prior international careers. In this case, both the source and methodology of research carried a high level of credibility. Research was largely based on past experience and case studies, often including commonly used comparator countries. Nigeria was often compared to other oil-producing economies (e.g. Indonesia and Venezuela), the East Asian ‘tigers’, as well as other emerging economies notably the BRIC countries (Brazil, Russia, India and China). Domestic researchers had only limited influence of the final CET, partly due to poor communication of research information with policy makers. As noted by Court et al (2005), research uptake is partly determined by ‘the degree to which it challenges received wisdom, research approaches and methodology, the credibility of the researcher, the simplicity of the message, and how it is communicated’.

*Enlightenment approaches.* A global discourse on trade liberalization also percolated into the policy environment in Nigeria, influencing government bureaucrats, decision-makers, and other stakeholders. This percolation process was diffuse and subtle, as it often related to a broad idea of trade policy reform, rather than a specific tariff liberalization measure (such as the adoption of the CET). It is striking when one recalls that popular opinion in Nigeria in the 1980s had opposed adoption of structural adjustment programs, resulting in only limited neo-liberal reforms such as tariff liberalization. However, by 2003, Nigeria had embarked on a process of unilateral tariff liberalization, which was well articulated and defended by government bureaucrats as noted above. In our view, a gradual *knowledge creep* on the welfare benefits of tariff liberalization had influenced local policy officials and stakeholders. Again, this is particularly striking, given that the empirical evidence linking tariff liberalization to growth is currently inconclusive (UNDP, 2005).

What channels then may have facilitated this process of research percolation? We believe the transfer of research ideas to local policy-makers occurred via channels such as international trade meetings, as well as workshops and seminars convened locally by government departments, donor agencies and international institutions. Nigeria’s participation in international trade negotiations, for example at the World Trade Organization (WTO), ECOWAS, and among the EU-ACP, often reinforced the importance of trade, and need for further tariff liberalization. In
addition, during various workshops and seminars on trade-related issues, the language of trade liberalization was often utilized, particularly when discussing reports such as the WTO Trade Policy Review for Nigeria or the World Bank’s Investment Climate Assessment report. Local researchers also contributed to percolation of tariff liberalization ideas in the domestic policy environment. This may have occurred for example during local workshops, when they were often hired as resource persons to guide discussions or in the preparation of national policy documents such as NEEDS.
7 Conclusions

This paper has presented an overview of the CET adoption process in Nigeria, identifying the specific role played by research in the process. Considering the broad context of CET adoption reveals that utilization of research was limited in the policy process. As discussed earlier, the limited use of research occurred in instances where policy elites and government bureaucrats relied on research reports to assess the potential welfare impacts of tariff liberalization. In addition, a gradual percolation of research ideas on tariff liberalization and trade openness also influenced government bureaucrats and policy elites in Nigeria’s economic reform team.

The lack of adequate utilization of research in this particular instance of policy change demonstrate the complexity and politicization of the policy process in developing countries such as Nigeria. Trade policy is an inherently contentious issue, and not only in developing countries. The process may be more politicized in developing country environments owing to the nature of the domestic political economy, and a history of neo-patrimonial clientelism in government departments which limits the development of evidence-based policies. As an example, it is important to note that despite officially adopting the CET, Nigeria is currently conducting a review of its CET tariff schedule to examine the few cases where tariff revision may be needed. We observed that this revision process was driven largely by influential stakeholders who presented cases for consideration either via the Presidency or directly to government bureaucrats. Research was considered to be of secondary concern in this process, and to be conducted ex post, if needed.

Our foregoing assessment provides us with two recommendations – the first, a practical recommendation to the local research community, and second, a recommendation on the direction of future studies on research-policy linkages in developing countries. First, in order to influence policy formulation, domestic researchers in Nigeria must aim at producing credible research and also at adopting effective communication strategies in sharing their research findings. In particular, it may be important for researchers to move beyond their existing

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29 Slow progress of the current WTO Doha Round of trade talks, amidst resistance from agricultural lobbies in the EU and USA demonstrates this.

30 See for example, Minutes of Tariff Technical Committee Meeting of 14th February 2006.
academic spheres, and engage in debate with other policy advocates such as from civil society or the organized private sector.

Second, in considering the scope for further study on research utilization in developing countries, we suggest a shift in emphasis on trade policy to examine research utilization in other policy areas in developing countries. Low-income countries often have a range of policies available in pursuing their objectives of economic growth and poverty reduction, and governments may have options in monetary policy, industrial policy, agricultural policy, trade policy etc. Trade policy serves as an important policy tool, but may not be the most relevant. In many instances, improved macroeconomic policy, and policies to improve domestic institutions and the investment climate may have greater impacts on improving economic growth. Given the politically contested nature of trade policy in developing (as well as developed) countries, we believe research may have stronger influence in improving policy formulation in areas such as macroeconomic policy (for example, on the links between volatility and growth) or on agricultural policy (for example, on the benefits of adopting improved seed varieties). Extending analyses of research utilization into such other areas of policy formulation would provide interesting insights on the policy process in developing countries.
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<td>1</td>
<td>A Study of Basic Aspects of A Common External Tariff for ECOWAS</td>
<td>1982, August</td>
<td>A. Aninat (Consultant)</td>
<td>ECOWAS</td>
<td>UNCTAD/UNDP</td>
<td>RECOMMENDATIONS - Collectively define the structure of an ECOWAS common external tariff through a consultative negotiation process based on stated national interests.</td>
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<td>2</td>
<td>Effects of Tariff and Exchange Rates on the Manufacturing Sector and the Balance of Payments in Nigeria “Comprehensive Review of Nigeria Customs and Excise Duties”</td>
<td>2001, June; 2002, October; 2003, July; (commissioned; completed; presented)</td>
<td>Skoup and Company; Enterprise Consulting Group; Kuji Intercontinental Agencies</td>
<td>FM Finance</td>
<td>FM Finance</td>
<td>FINDINGS: Revenue losses of 2.9 to 6.9 percent of government revenue (N27 billion to N65 billion), depending on accompanying measures. 48 percentage point decline in effective rate of protection (82 to 34 percent). RECOMMENDATIONS - Phased Implementation of WAEMU CET (over 5 years, with 6 bands of 0, 5, 10, 20 and 50 percent) - Complementary Policies (including: nominal depreciation; institutional reform of related regulatory agencies, especially Customs; reduction in use of tariff waivers, exemptions and concessions; and improvement in business climate.)</td>
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<td>4</td>
<td>Potential Impacts of Extension of UEMOA Tariffs to all ECOWAS-Member States: A Case Study of Impacts on Revenue and Trade Balance in Nigeria</td>
<td>2003, March</td>
<td>African Institute for Applied Economics (AIAE)</td>
<td>ECOWAS</td>
<td>AIAE</td>
<td>FINDINGS: Revenue losses of 2.9 to 8.8 percent of government revenue (N27 billion to N80 billion). Balance of payment decrease of 3 to 6 percent GDP. RECOMMENDATIONS: - Build “credible constituencies” by increasing stakeholder consultation to support the CET. - Gather additional empirical evidence to inform policy debate</td>
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| 6 | Impact of Proposed New Tariff Regime on the Revenue of the Federal Government of Nigeria Summary of Findings | 2005, February | Oyeyemi Adegbite  | FM Finance  | 4 percent. 12.3 percent decrease in output prices. 0.5 percent decrease in production.                                                                                                                 | RECOMMENDATIONS:  
-3 years to WAEMU CET  
-accompanying measures (degressive protection tax; cyclical/seasonal tax)  
-attention to macroeconomic context (exchange rate, infrastructure, access to credit, participation of unions/manufacturing associations)  
FININDINGS: Revenue losses as low as 2.9 percent of current revenue, which could be further reduced by increases in collection efficiency (efficiency rate was 38 percent between 1996-2001).  
RECOMMENDATIONS:  
-adopt WAEMU CET  
-strengthen revenue collection mechanisms  
-minimize level of informal (unreported) trade |
| 7 | ECOWAS Common External Tariff (ECOTrade) Recommendations Regarding Changes in Tariff Rates | 2005, April | USAID             | ECOWAS       |  | RECOMMENDATIONS:  
-Adopt WAEMU CET allowing for 1) Type A (transitional) exceptions and 2) Type B (permanently desirable) exceptions which would be negotiated with a view to reconciling them into a revised ECOWAS CET. All exceptions would be aligned by December 31, 2007  
-Safeguard Tax  
-Reclassify certain goods |
| 8 | Impact of Common External Tariff and Economic Partnership Agreements on Agriculture in Nigeria | 2005, October | AIAE C. Agu, I. Achike, M. Oduh | Oxfam GB     | FINDINGS: High protection coincides with high turnover and growth for key commodities (rice, cassava and sorghum). Decrease in tariffs would lead to decline in agricultural sector  
RECOMMENDATIONS:  
-proceed with Nigeria’s adoption of the CET but carefully consider adoption of EPA  
-improve infrastructure  
-facilitate access to agricultural inputs  
-provide a backstop for agricultural prices  
-increase stakeholder consultation |
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<td>3 Dr. Obafemi</td>
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<td>Research Economist</td>
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**Research Community**

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Bibliography


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