LIBERALISATION OF THE SERVICES SECTOR IN NIGERIA: IMPLICATIONS OF UNILATERAL AND MULTILATERAL APPROACHES

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I. INTRODUCTION

1.1 The Importance of the Services Sector

The services sector has emerged to become a dynamic sector whose importance has continued to rise in most economies in the late 1980s and the 1990s. Services currently represent over 60% of GNP in most of the developed economies, while the sector remains an influential factor in the performance of manufacturing and resource industries in mot countries. According to the World Bank (1995), an average of over 60 per cent of manufacturing employment is services-based in the United States of America. The rate of growth of trade in services is also higher than other trade components. Trade in services increased on an average of 7% per year between 1989 and 1998 while the corresponding increase in merchandise trade was 6% in the same period. The share of trade in services in total world trade increased from 15.7% in 1989 to 16.3% in 1998. Sub-Sahara Africa's (SSA's) share of goods exports fell from 2.5% of world exports in 1989 to 1.8% in 1998 while the region's share of services exports fell from 1.8% in 1989 to 1.6% in 1998, lower than the reduction in the share of goods exports.

In the 90s, the services sector witnessed an impressive expansion, contributing larger a proportion to the Gross Domestic Product (GDP) of several countries. The sector's share of GDP amounted to 40% in Uganda, 50% in Zambia, over 60% in Korea and Brazil and 80% in the US, in the mid-1990s (WTO, 1997). The WTO study linked the rapid expansion of the services sector to three key roles it plays in economic development. First, because demand for services is highly income elastic, it is a utility-inducing complementary component of total consumption when the economy is growing. This is because as people become richer, consumption of such services as tourism, education, health, hotels, restaurants, and transportation tends to expand, in some cases more rapidly than that of manufactured and other tangible goods.

Second, the sector provides important auxiliary outputs to manufacturing firms that increasingly depend on external sourcing of such basic inputs as design, financing, communication, and transportation. Third, the marginal rate of substitution of capital for labour in services production is very high, since in most cases service providers have to personally render the service, making the sector responsible for a large chunk of world employment. Related to this is that most modern services are not only used as inputs into the production of many goods but also are final consumption outputs themselves. Hitherto, services were viewed as less transportable and tradeable than goods and hence less vital in international trade. The identified role of services in economic development would tend to be greater and more appreciated than it presently is if services embedded in goods, such as design, technical, leisure, consulting, and financial services are included in conventional balance of payment statistics (WTO, 1997).

The case for market liberalization in services has been argued from both the supply and demand sides. From the supply side, domestic services market liberalisation and the opening of the services sector to external competition are expected to encourage quality improvement and product and process innovation; reduce the scope for waste and rent-seeking, as well as impose significant limitations on the economic power of any individual producer. In particular, liberalization in the services sector would swiftly increase the absorptive capacity of rapid technological and economic development through the provision of the required quantum of investment and expertise to operate the modern services sectors. In addition, liberalization would reduce the capacities and tendencies for actual and potential government regulation and control thus leading directly to a more dynamic development process steered by the private sector. While a related a priori benefit is that reforms will enhance the sector's efficiency and promote the competitiveness of various economic activities on a wider scale, culminating in improved aggregate economic performance, liberalization induced by a multilateral trading arrangement will enable governments lock-in reforms and protect them from slippage and reversals.

Services sector liberalization is not without costs on the supply side. The social adjustment cost involved in establishing reforms to improve the conditions for investment and growth in the services sector is potentially significant in terms of the employment implications of job losses, skills and professional obsolescence, and sometimes spatial relocation. These costs, however, may be compensated by the job expansion in other services sub-sectors as well as by the high labour mobility made possible by the lower degree of sector specific labour specialization in the services sector.

From the perspectives of consumers of services, increased quantity and enhanced quality of services from alternative sources of supply will give rise to substantial reduction in prices and economic distortions. Services market liberalization has the potential to increase the number of services providers, thus engendering competition, quality improvement, product and process innovation, and investment; and to reduce government anti-competition regulation, as well as to enhance efficiency of consumer choice and certainty in the market. These effects lead both directly and indirectly to increased supply, lower prices, and gains in consumer surplus.

The basic development objectives of Nigeria, maintained since independence in 1960, include the achievement of reasonable, non-inflationary economic growth, reduction of unemployment, regionally balanced development, development of high level manpower, the diversification of the productive base of the economy, and external balance. Recently, adjustment-induced objectives have included privatization of public enterprises and the deregulation of the economy. Associated with these objectives is the desire for rapid improvement in the quantity and quality of social services and infrastructure. In order to achieve these objectives, the country is currently experimenting with a regime of investment liberalization, privatization and deregulation, as well as a liberal foreign exchange management system, policy measures that are capable of removing laws and regulations that have hindered investment in the country in the past, and by extension services trade.

Two main arguments can be advanced for the current liberalization experiment. One, the long period of dismal economic performance has meant that living standards have fallen below world average leading to widespread poverty, and increased political agitation. Two, Nigeria's economy is largely open both in terms of export revenues and the import of intermediate goods and technical expertise for domestic production that a further integration into the world trading system through the WTO framework would be more beneficial particularly to the services industry which has experienced a lull for over a decade.

1.2 Liberalization Approaches: Unilateral Versus Multilateral and Regional Arrangement

Liberalization connotes the freeing up of restrictive conditions through the introduction of laws and regulations aimed at bringing about a more competitive market structure. Liberalization measures are established to remove many growth-retarding characteristics embedded in the structure of the economy, such as heavy government intervention, restrictive entry and exit conditions in particular industries, and ceilings on input and output price. The overriding objective of liberalization is to create a market structure devoid of government-induced distortions in resource allocation, where the primacy of market forces is firmly established. In such a framework, the nature of government intervention assumes a facilitative character and becomes restricted to the establishment of rules and regulations that prevent or minimize incidence of market failure, secure property rights, and ensure justice and equity among economic agents.

Liberalization may occur through unilateral, regional and multilateral arrangements. Where it occurs through the unilateral arrangement, liberalization becomes a mechanism through which the government introduces reform without explicit external influence. The driving force of such an approach is the strong need to restructure and reposition the economy for sustainable growth, achieved through the establishment of pro-competition regulatory and institutional framework. Under this approach, the often-high short run adjustment costs are likely to lead to reversals of liberalization measures.

Both regional and multilateral liberalization approaches attempt to achieve similar objectives of engendering competition, removing government–induced distortions, and generally aid sustainable growth through the market mechanism. Under these approaches however, external governments are involved in the liberalization arrangement. But the approaches are superior to the unilateral approach because they contain effective restraint mechanisms on likely and frequent policy changes which autonomous liberalization can undergo. In other words, regional and multilateral liberalization approaches assist countries to lock in or sustain reforms, and enhance their predictability and stability as well as transparency.

In the context of trade in services, autonomous or unilateral liberalization in Nigeria involves reforms, embodied in the Structural Adjustment Programme (SAP), directed at restructuring the services market. Regional reform mechanism can be found in the relevant integration and cooperation arrangement such as the Revised ECOWAS Treaty of 1993, and the EU-ACP Economic Partnership Agreement. The General Agreement on Trade in Services (GATS) exemplifies the multilateral liberalization framework whereby commitments to liberalize are derived principally from a 'request-offer' negotiation mechanism among member countries.

Both direct and indirect mutually beneficial outcomes exist in the relationship between the unilateral, regional and multilateral liberalization mechanisms. One direct benefit of regional and multilateral approaches from autonomous liberalization is the possibility of using autonomous liberalization to obtain credits during negotiations involving larger number of countries. The ease with which multilateral and regional cooperation and agreements are reached when unilateral liberal conditions already exist is an important indirect effect. Finally, all the three approaches benefit from the need for compatibility, consistency, and convergence of domestic policies, while they also recognize peculiar country difficulties which are integrated in a mutually beneficial manner to ensure compliance by all members party to the agreements

This paper provides a detailed analysis of Nigeria's services sector as it relates to the General Agreements on Trade in Services (GATS) of the Uruguay Round. In effect, it reviews the domestic and regional policy reforms in the services sector in terms of services production and trade as well as Nigeria's commitments in GATS and the difficulties and successes experienced in their implementation. In a related sense, the paper analyzes the extent of compatibility of domestic and regional policy reforms in the services sector with Nigeria's commitments under GATS. Other specific issues that are addressed include the identification and analysis of areas of concern to Nigeria with respect to the implementation of commitments under GATS as well as the possible future liberalization by Nigeria in the context of unilateral and or multilateral negotiations.

The rest of the paper is structured as follows. Section II is mainly concerned with the size, structure and tradability of Nigeria's services sector. It first identifies the various services sector components in Nigeria, highlighting those components in which Nigeria has made commitments under the GATS. It also discusses the relative size and growths of the major components as well as those in which Nigeria has made commitments under the GATS. In addition, the market structure of each service components is presented to isolate the impact of unilateral and multilateral obligations. Finally, the section analyses the size and growth of trade in Nigeria's services.

Key domestic and regional policy reforms in the services sector are contained in section III. Other issues in this section focus on the impact of reforms on the market structure and performance of each main services sector components, on the one hand, and the general direction of future reforms, on the other. Section IV presents the general framework of GATS, detailing the key principles and modes of supply, in addition to evaluating the extent of Nigeria's commitments, implementation of commitments, and the country's future negotiating agenda in the GATS. Section V concludes the paper.

II. SIZE, STRUCTURE AND TRADEABILITY OF NIGERIA'S SERVICES SECTOR

2.1 The Size of Nigeria's Services Sector

The Nigerian services sector comprises of electricity; water; building and construction; road, rail, ocean, and air transport; communication; wholesale and retailing business; hotel and restaurants; financial services; real estate; housing (dwelling); private non-profit activities; as well as repairs and other services. Some of the sub-sectors are dominated by public activities especially in electricity, water, rail and ocean transport, and communication services. Extensive government intervention has been the usual practice in the financial and telecommunication services sub-sectors due to their perceived strategic importance in the economy, until the institution of financial reforms in 1987 and the announced planned privatization of NITEL in 1998.

In constant factor cost, the services sector contributed about 30% to the Gross Domestic Product in 1985 and 31.7% in 1986, the year the Structural Adjustment Programme was introduced (Table 1). By 1990, the contribution of the services sector had declined to 25%, reached its lowest of 18.9% in 1992. It reached its highest of 40% in 1993, due probably to the establishment of the mass transit system in that year and the increased flow of people induced by the political impasse of the second half of the year.

After 1994, the share of the services sector in GDP stabilized at about 20% after which it rose to almost 27% in 1998. The rise of services share of GDP in 1993 is not reflected in the distribution of value added by services sub-sectors in Table. Services share of value added (SVA) fell from 30% in 1986 to 18.7% in 1992 while it reached a global minimum of 12.3% in 1998. The average SVA between 1990-1998 was 21.3% but reached a peak o 27.4% in 1994.

In trend terms, services GDP grew by 30% from an index of 1 in 1985 to 1.3 in 1993 but fell by 10% in 1998 to an index of 0.9 (Table 2). Relative to 1985, services GDP decelerated by 20% on the average between 1990 and 1998. In the case of the SVA, the average index is 0.7 between 1990 and 1998, compared to an index of unity in 1985. The index in 1998, at 0.4, is not only lower than the 1990-1998 average but also indicates a loss of value added in the services sector to the tune of 60%. Three sub-sectors indicate marginal growth in 1998 relative to 1985. These are the wholesale and retailing, housing (dwelling), as well as repairs and other services sub-sectors. The following paragraphs analyze the contribution of services to Nigeria's economic growth by sub-sectors, first in terms of those sectors which Nigeria has undertaken commitments in the GATS, namely financial, communication, tourism and transport services, and afterward by other main components. The relevant magnitudes are shown in Tables 1 and 2.

Financial Services

The contribution of the Nigerian financial services sector to services GDP indicates that the sector has not significantly recovered from the crisis of distress with which it was plagued since 1992. The share of services of financial institutions and insurance firms in services GDP was 11.8% and 1% respectively in 1985. The sub-sectors diminished in importance from 1992 when they contributed an average of 5% and 0.2% to services GDP throughout the late 1990s. Indeed, the contribution of financial services stagnated around 5% since 1992 while that of the insurance industry reached a steady state at about 0.2%.

Communications

The communication sector is made up of telecommunications, postal, courier, and radio and television services. In 1985, the communications sector contributed about 1.4% to services GDP. This fell to 1% in 1998. The share of telecommunications and postal services in the total contribution of communication was 30% each in 1985. That of telecommunications fell to 13% while for postal services and radio and television the shares were 44% and 61% respectively in 1998. However, the value added in the telecommunications sub-sector rose to 41% in 1998 in contrast to the decline experienced by postal (29%)and radio and television (34%) sub-sector. The low contribution of telecommunication to services GDP can be explained by the monopoly nature of the activities of the Nigerian Telecommunications Limited (NITEL).

Tourism

This sector includes hotel and restaurants, travel agencies and tour operators as well as tourist guide services. Nigeria's National Accounts data explicitly include hotel and restaurants while data on the activities of travel agencies and tour operators as well as tourist guides may have been included in another unidentifiable main component, suggesting the relative underdevelopment of the sector in Nigeria. The share of hotel and restaurants in services GDP in 1985 and 1986 was about 2%. This fell continuously to 0.7% n 1998, having improved gradually from 0.4% in 1993.

Transport Services

The transport sector is composed of road, rail, ocean and air transport modes. Nigeria had about 9,547km of federal and 19,249km of state government roads in 1993. There were also 3500km of rail in 1994, responsible for carrying about 3.5% of land passenger traffic. The private sector dominates the transport services sector though the government, which develops sectoral transport policies to regulate the sector, dictates the operational framework. Road transport services contributed 14.3% to services GDP relative to ocean, air and rail transport, which accounted for 1.2%, 0.9% and 0.6% respectively in 1985. By 1998, the share of road transport fell to 12.3% while those of others became negligible due to the neglect they suffered in the hands of the authorities. All of these sub-sectors are currently undergoing reforms to improve their performance through a combination of government support and increased private sector participation.

Utilities

This sector is made up of electricity and water services. The electricity sub-sector is dominant, accounting for more than twice the size of the water services sub-sector. In 1985, electricity's share of services GDP was 1.6% while water accounted for less than 1%. Though the contribution of electricity and water sectors declined by 1998 the relationship between them remained as both dropped to 0.2% and 0.1% respectively. The share of both in services value added has a semblance of their share in services GDP. Both also witnessed a falling trend since 1985 and 1986, but the performance in the electricity sub-sector got worse more rapidly in the late 90s than in the water sub-sector. An important factor in the performance of both sectors is the market structure, which is dominated by government activities.

Building and Construction

Building and construction services include those embedded in road, airport, railway, and seaport development as well as in building of houses. Both the government and the private sector engage in building and construction activities. The government plays a domineering role in the building and construction of roads and bridges, airports, seaports and railways though with the private sector actively participating as contactors and consultants. This sub-sector ranked fifth in the order of contribution to services GDP in 1985 and 1986. It ranked fourth in 1990 but suffered a setback in 1998 when it ranked sixth. In growth terms, the contribution of building and construction to services GDP in 1998 was half of its level in 1985. However, its share of value added was maintained at 7.2% in 1998 relative to 7.3% in 1985.

Wholesale and Retailing Business

This sub-sector has the largest contribution to services GDP from 1985 to 1998. Indeed, it increased its share of services GDP by about 50% in the late 1990s. Its share which was about 40% in 1985 and 1986 rose by an average of 30% annually to reach about 61% of services GDP in 1998. It only experienced a drop in 1993, to 36.4%, but immediately assumed its more than 50% share of services GDP in 1994. This sub-sector is affected by macroeconomic policy particularly trade and exchange rate policies. Its growth is reflective of the more liberal tariff and exchange rate policies since 1986.

Real Estate and Housing (dwelling) Services

The real estate sub-sector's share of services GDP which was low in 1985 and 1986, at 1.1%, became negligible by 1998. The real estate component became negligible in 1993 while the professional services component fell by about 70% in the mid-1990s. However, dwelling related housing services grew by 40% in 1998, up from 9.5% share of services GDP in 1985 to 13.4% in 1998. Dwelling services declined by 60% in 1993 but gained about 80% of its performance in 1994, after which it maintained a steady growth up to 1998. The development of the housing sub-sectors is under the responsibility of the Federal Housing Authority and State Housing Corporations, which operate under the framework of the National Housing Policy that established the National Housing Fund, Primary Mortgage Institutions, and the Federal Mortgage Bank (FMBN).

Repairs and Other Services

This sub-sector experienced a growth pattern that is similar to wholesale and retailing except that its recession in the early 1990s lasted longer. It recovered fully in 1995 and continued to grow throughout the late 1990s. Consequently its share of services GDP which was less than 3% in 1985 and 1986 was close to 4% in 1998.

2.2 The Structure of Nigeria's Services Sector

Financial Sector

Tables 3 and 4 show changes in the structure of the financial services sector in Nigeria, indicating the total assets and the number of participating firms, which together suggest the extent of entry barriers in the sectors. The total assets of commercial banks, merchant banks and insurance firms were respectively US$19637million, US$4179million, and US$1231million at the inception of SAP in 1986. While these fell to US$8288million and US$1510million for commercial and merchant banks, the total assets of insurance firms rose to US$4385million in 1998. Total commercial and merchant banks assets each fell by as much as 60% while insurance firm gained as much as 260% in total assets in 1998. The establishment of other types of financial intermediaries reduced the high concentration of banking services in commercial and merchant banks. These banking and non-bank financial institutions (excluding insurance firms) include community banks, primary mortgage institutions, discount houses and finance houses. Particularly, total assets of discount houses and community banks respectively grew by 80% and 40% in 1998 relative to their initial positions.

Communication

A government monopoly firm, Nigerian Telecommunications Limited (NITEL), offers telecommunication services in Nigeria. Prior to the creation of NITEL in 1984, it belonged to the P & T Department of the Federal Ministry of Transport and Communications, implying that it emerged as a government-owned firm. NITEL had a monopoly in basic telecommunications services until October 1997 when it signed an agreement with Multi-Links Communication Nigeria (MCN) which gave the local private company access to the national grid to provide services in competition with it. MCN started operations in 1997 and had an initial capacity of 10,000-line exchange. In 1998, six private telephone operators offer basic telecommunications services through NITEL grid.

In 1992, a mobile phone company, M-TEL, was established, but also as a government monopoly. Several operators however started offering mobile telecom services since 1992 using various technologies including Very Small Aperture Terminal Satellite (VSAT). M-TEL currently competes with the private sector to provide cellular telecommunications services. In 1998, eight VSAT licensees were in operation. The two government-owned firms, NITEL and M-TEL, dominate the market in telecommunication services and shared a duopoly in telecommunications services until the end of 1997 when new operators were licensed to offer services.

The postal services industry embodies courier services. Private sector participation is strong in the courier segment of Nigeria's postal services, featuring big firms such as DHL, UPS, Red Star Express, etc.

Transport Sector

Government monopoly has been the norm in the railways sub-sector while it was removed from the air transport sub-sector between 1985 and 1992. The Nigerian Railways Corporation (NRC) is the government firm solely responsible for rail transportation in Nigeria. It owned the network of 3505 kilometers of single narrow-gauge track in the country as well as all the corporation's locomotives, coaches and rail cars. No attempt or policy statement has been made to open this transport segment to domestic or international competition.

The Nigeria Airways constituted the only licensed scheduled carrier until its monopoly was broken between 1985 and 1992 with the licensing of 25 airlines to operate non-scheduled cargo and passenger air charter services inside and outside the country. Between 1992 and 1994, 3 airlines were granted permission to operate unscheduled passenger services while 2 were licensed to operate international routes. By 1994, the number of private airlines increased to 28, comprising 14 passenger, 7 cargo, and 9 specialized air services airlines. Thus, the air transport sub-sector has experienced substantial restructuring towards increased private sector participation since the mid-1980s.

The private sector, especially foreign companies, has always dominated ocean shipping in Nigeria. Before 1955, foreign shipping lines dominated Nigeria's shipping industry. After 1955, Nigeria established a national carrier namely, Nigeria National Shipping Line (NNSL) with 24 vessels. The National Maritime Authority (NMA) was established to manage water transportation in 1987. NMA granted national carrier status to some private ocean lines to complement the services of NNSL. Therefore, ocean shipping in Nigeria emerged as a liberalized sector though attempts have been made to introduce regulations that are biased against competition.

Utilities

Electricity is solely generated, through hydro, thermal and fossil fuels sources, and distributed by the state-owned National Electric Power Authority (NEPA) which has installed generating capacity of about 6000 megawatts (MW) out of which about 61% is available for distribution (CBN, 2000). In 1998, NEPA accounted for 99.5% of aggregate electricity generation from its eight major power stations while thermal energy purchased from private firms contributed the remaining 0.5%. It also has about 11000 kilometers of transmission lines, and installed distribution transformers all over the country. In recent years, various inefficiencies have been associated with the operations of the corporation ranging from inadequate generation and distribution, non-availability of spares, inadequate metering system, obsolete generation and distribution equipment, lack of maintenance of equipment, inadequate budgetary provisions, among others. This ineffectiveness has led the private sector to generate its own electricity by the use of generating sets.

The water industry is also dominated by the public sector. Most states in the country have their own Water Corporations, while the Ministry of Water Resources and Rural Development supervises the activities in the sector. The volume of water available in 1998 for domestic consumption, industrial uses, and irrigation was 5,159.8 trillion cubic metres, same as in 1997. Private sector initiatives in the water sub-sector have complemented government efforts but this is at a very high cost to consumers. Apart from the Ministry and State Water Corporations, Agricultural Development Projects (ADPs), Local Government Authorities and Community-Based Organizations (CBOs) are responsible for the provision of water. However, most states and communities continue to suffer from acute shortage of water leading to regular outbreak of water-borne diseases (CBN, 1998).

Table 5 summarizes the market conditions of the services sector in Nigeria by GATS classification. The table is derived from current regulatory conditions in each sector. In most cases, four types of entry and exit conditions influence the market structure of the services sectors namely ownership, expatriate quota, professional/association membership requirements, and registration with the relevant apex regulatory institution in the sector. Many services sub sectors have oligopoly structure, with restricted entry but free exit conditions. Equity ownership condition is not problematic in all indicated sectors because the NIPC decree currently is superior to the Nigerian Enterprises Promotion decree and the Investment Promotion decree of 1989. However, the NIPC still requires foreign nationals to process expatriate quota with it. A monopoly market structure is found in postal services and basic telecommunications; adult education; libraries, archives, museums and other cultural; rail transport; and pipeline transport services. Some sub-sectors have quasi-perfectly competitive market structure. They are so classified because many of them have no more entry and exit restrictions than those imposed by NIPC and relevant regulatory institutions but have large number of participating firms whose products and prices are however heterogeneous. Exit in the financial services sector is restricted. Firms intending to exit (through distress) the industry are usually managed by the Central Bank and NDIC or appointed agents for a period to rescue the firm, after which it may be liquidated.

One notable difference between the market structure of services sector components for which Nigeria has made commitments under GATS and others is that sectors in the former constituted those whose initial conditions witnessed heavy government regulation, widespread underdevelopment, and the absence of technical expertise. For example, the financial and communications sectors were hitherto heavily regulated while the tourism sector was totally underdeveloped. In the transport sector, commitments were made in areas where technical expertise is virtually absent. The deregulation policy in financial and communications sectors thus facilitates meeting one of the conditions for global integration. The objective of quickened development is responsible for committing the tourism and transport sectors to GATS disciplines.

2.3 Trade in Services

Nigeria's trade in services is composed of three main categories according to the Balance of Payment Statistical Year Book (see Tables 6 and 7). These include transportation, travel and other services. The first is further broken down into passenger, freight and other transport carried through air and sea routes; the second has two sub-categories namely business and personal travels. 'Other services' comprise many services areas including communications; construction; insurance; financial; computer and information; royalties and license fees; other business services; personal, cultural and recreational; as well as government services. However, dis-aggregation of data is limited to passenger, freight, other transport, travel, government, and other services. The analysis of trade in services in Nigeria is thus limited to this level of dis-aggregation.

The share of Nigeria's trade in total African services trade has continued to rise since the late 1980s (Table 6). This trend is shown by the growth of Nigeria's share of Africa's services trade from 5.6% in 1989 through 10.4% in 1996 to 9.6% in 1998. The growth pattern showed a fluctuation in the first half of the 90s, in contrast to the steady decline experienced in the second half. Yet, the growth rate in this latter period still showed a higher performance relative to 1989. The growth pattern of Nigeria's share indicates more dynamism than Africa's share of world services trade which stabilized around 4% from 1989 to 1998. The low share of services trade relative to the share of services to GDP is consistent with the perception that services are less transportable and tradeable than goods.

The transport services share of Nigeria's total trade in services was about 31% in 1989. This share fell to as low as 16% in 1997 and 1998 but was a recovery from 9% in 1996. The share of travel services was about 22% in 1989 but rose inconsistently to about 32% in 1998. Other services sector has the highest share throughout the period, rising from 47% in 1989 to about 50% in 1998. Freight services made the largest contribution to transport trade in services, increasing to 83% in 1998 from 74% in 1989. Making a distant second position in the order of contribution to transport services trade in 1989 is passenger services but which lost its position to 'other transport' services by 1998. The share of government services in services trade was 2.6% in 1989. This fell to as low as 0.3% in 1997 before recovering to 2.2% in 1998.

Table 7 shows that Nigeria continues to be in a deficit position in total services trade. In 1989, services trade deficit was US$823million but rose to US$3282million by 1998. In terms of the component parts, total transport services trade was in deficit of US$591million in 1998, while 'other services' trade deficit was as high as US$1059million. The 'other services' component comprises communications; construction; insurance; financial; computer and information; royalties and license fees; other business services; personal, cultural and recreational; as well as government services; implying a comparative disadvantage in these sectors.

III. DOMESTIC AND REGIONAL POLICY REFORM IN THE SERVICES SECTOR

3.1 Key policy reforms during the 1980s and 1990s

The main characteristics of the Nigerian services sector in the late 90s is that trade and investment laws and regulations affecting the sector have witnessed substantial overhaul after the institution of economic reforms in 1986. Since 1995 in particular, a new tariff decree, and legislations on investment and foreign exchange operation have been introduced. Specifically, two decrees have been introduced to eliminate various restrictions generally placed on private investment especially those of foreign origin. These are the Nigerian Investment Promotion Commission (NIPC) Decree No. 16 of 1995 and the Foreign Exchange [Monitoring and Miscellaneous Provisions] (FEMMP) Decree No. 17 of 1995.

The NIPC Decree authorizes foreign enterprises to establish businesses in Nigeria through foreign direct investment subject to the provision of the Companies and Allied Matters Decree of 1990, and register with the NIPC to which an application is required to be submitted for consideration. The NIPC decree lifted the hitherto 40% limit on foreign equity participation in Nigerian companies and renders irrelevant the required Approval-in-Principle from the Ministry of Finance for same. It, in addition, guarantees any foreign investment against nationalization or expropriation by the government or any individual, by asserting that no person who owns, whether wholly or in part, the capital of any enterprise may be compelled by law to cede his interest to any other person. According to the decree, foreign companies may invest in any sector except those on the "negative list" which features activities in the areas of production of arms and ammunition, narcotic drugs and psychotropic substances; military wear; crude oil or natural gas; and such other areas that the Federal Executive Council may, from time to time, determine. The NIPC is also responsible for assisting foreign businesses to obtain expatriate quotas, business permits etc., a function previously performed by the defunct Industrial Development Coordination Committee (IDCC), which the NIPC replaced. According to Obayomi (1997), obtaining approvals for expatriate quotas takes between 3 - 6 months during the period the IDCC operated.

Despite the establishment of the NIPC decree, many sector-specific laws, especially those in the areas dominated by government activities, have not been repealed (Trade Policy Review, Nigeria, 1998). This suggests that the strength of the NIPC decree can be substantially eroded by the continued existence of these laws, which include:

- ? the Petroleum Act of 1969 that provides that licenses may be granted only to Nigerian citizens;
- ? the Minerals Act of 1946 as amended which vests the control of the property of minerals (other than petroleum) in the Federal Government; and the Nigerian Mining Corporation Act which currently does not allow any person other than the Corporation to be granted prospecting and mining rights, licenses and leases under the Mineral Act;
- ? the Nigerian Coal Corporation Act which currently does not allow private persons to prospect for coal;
- ? the Nigerian Steel Raw Material Exploration Decree of 1992 that grants sole prospecting and mining rights to the agency nominated by the Decree;

- the National Electric Power Authority Act which grants exclusive rights to the Authority for the provision of electricity;
- the Nigerian Telecommunications Decree of 1992 and the Articles of Association of Nigerian Telecommunications Ltd (NITEL) which both provide the latter with a monopoly in the provision of Telecommunications services; and
- the Nigerian Broadcasting Commission Decree (No. 38) of 1992 that requires ownership by Nigerians of a majority of the shares in a company seeking a broadcasting license.

In view of the existence of counteracting laws and regulations as well as bureaucratic bottlenecks already noted, the process of foreign investment in Nigeria still seems cumbersome. With the exception of the telecommunications sector to which only the consumption abroad mode of supply of services cannot be applied, the remaining areas that these laws affect can only be provided through commercial presence and by extension, the presence of natural persons. The implication of the existence of these laws is that foreign direct investment may not rise in value-added telecommunications, an area where Nigeria has certain commitments in the GATS.

Business services incidental to agriculture, hunting and forestry, fishing, manufacturing, and mining are the relevant GATS-specified sectors that should be of interest to Nigeria because of the county's concentration on these sectors for growth and development. There are, however, no specific liberalizing laws targeted at these aspects of services. Most liberal regulations involve those established for the purpose of encouraging commercial presence in the Nigeria's manufacturing and export sectors. Export-related investment incentives for firms producing goods for exports thus exist, and all companies operating in Nigeria enjoy pioneer status, capital assets depreciation allowance, and tax relief on interest income, on a non-discriminatory basis. A capital asset depreciation allowance of 5% on plant and machinery is granted to manufacturing exporters who export at least 50% of annual turnover, which have at least 40% local raw material content or at least 35% of local value added. The tax relief on interest income grants a tax reduction on interest accruing to banks for loans extended to export activities. Interest income on loans and advances granted by banks for manufacturing for exports is also entirely tax-free.

The Export Processing Zone (EPZ) decree of 1991 covers most services incidental to manufacturing activities for export. These incidental services include warehousing, freight forwarding and customs clearance; handling of duty-free goods (transshipment, sorting, marketing, packaging, etc); banking, stock exchange and other financial services; and insurance and re-insurance. Domestic laws on taxes, levies, duties and foreign exchange regulations do not apply within the zones, and approved enterprises operating within them are exempt from all government taxes and levies. These exemptions imply that foreign direct services investment or commercial presence in these areas of operation of the EPZ are likely to be based on MFN and national treatments hence market access would probably not be constrained.

According to the statutes, imports in the zone may include any capital goods, consumer goods, raw materials, components or articles intended for use for the purposes of and in connection with an approved activity including any article for the construction, alteration, reconstruction, extension or repair of premises in a zone or for equipping such premises. Foreign investment, including capital gains, in the zone may be repatriated at any time. Profits and dividends earned by foreign investors in the zone may also be remitted at any time. No import or export licenses are required in the zone while land is provided rent-free at the construction stage. The liberal import and export regime in the zone is not explicitly mapped to services trade though its application cannot be entirely ruled out. The only restriction in the zone is that the sale or purchase, assignment or any transfer of shares of a licensed company operating in the zone must be notified to the Authority except if the shares are publicly quoted and transferable on any international stock exchange. This restriction satisfies the national treatment principle since there is no discrimination in its application. Specific sectoral policy reforms are the subject of what follows.

Financial Services

Financial sector reforms commenced in 1987, with a package of interest rate liberalization and easy entry conditions. The implication of these policies led to high lending rates, large number of financial firms, and the subsequent financial sector distress of the early 1990s. The distress necessitated a joint action by all regulatory government agencies in the sector. Thus in 1997, a Financial Services Coordinating Committee (FSCC) was formed to improve the coordination, supervision and regulation of the financial services sector. The FSCC comprises the Chief Executives of Federal Ministry of Finance (FMF), Central Bank of Nigeria (CBN), Nigerian Deposit Insurance Corporation (NDIC), Securities and Exchange Commission (SEC), and National Insurance Commission. It has a representative of the Federal Ministry of Finance as the Chairman.

The Insurance Decree of January 1997 is the latest major legislation in the insurance industry. It stipulates a minimum paid-up capital of N20 million for companies carrying out insurance business, and a minimum of N50 million for those in special risk areas such as oil and gas, credit, contractors and engineering, marine and aviation. It also stipulates a paid-up capital of N150mn for re-insurance companies while insurance broking firms and loss adjusters are required to be limited liability companies with at least N5mn paid-up share capital. The National Insurance Commission Decree established a National Insurance Commission in 1997 to act as a supervisory body for all insurance companies. The Commission is required to establish standards for the conduct of insurance business in Nigeria, regulate transactions between insurers and re-insurers in and outside Nigeria, advise the government on all insurance-related matters, protect insurance policyholders, beneficiaries and third parties to insurance contracts, and prosecute, in the event of failure, an insurer or any person connected under the Failed Banks (Recovery of Debts) and Financial Malpractices in Banks Decree.

Major legislative changes that occurred in 1998 include amendments to the Central Bank of Nigeria (CBN), the Banks and Other Financial Institutions Decree of 1991 (BOFID) and the Nigerian Deposit Insurance Corporation (NDIC) decrees of 1991 and 1988. The BOFID and NDIC were established to strengthen the foundation for a more stable, efficient and sound financial environment. The CBN (Amendment) Decree 37 of 1998 reinstated the Governor of the CBN as the Chairman of the Board of Directors of the Bank as well as the Chairman of the reconstituted FSCC. The decree granted the bank the power to formulate monetary and exchange rate policies while the Governor will henceforth report directly to the Presidency/National Assembly rather than the Minister of Finance.

The BOFI (Amendment) Decree 38 of 1998 granted the CBN powers to review the minimum paid-up capital requirement for operating banks from time to time. It also reviewed upward the penalties for contravention of banking laws opening and closing of branch offices and operation of branch and representative offices of foreign banks in Nigeria without prior approval. Decree 39 of 1998 repealed provisions contained in the NDIC (Amendment) Decree of 1997 which granted the NDIC powers of liquidation and for the Corporation to act as a liquidator of distressed banks without reference to the CBN. By the repeal, the CBN has been granted overall supervisory power over licensed banks.

Communication

The Nigerian Communications Commission Decree (NCCD) 75 of 1992 is the main legislation governing the telecommunications sector. The decree liberalized various aspects of telecommunications activities including the installation of terminal or other equipment; provision and operation of public payphones; provision and operation of private network links employing cable, radio communication or satellite, exclusively within Nigeria; provision and operation of public mobile communication (GSM standard); provision of community telephones; provision and operation of value-added network services; repair and maintenance of telecommunications facilities; and cabling.

The NCCD also set up the government regulatory agency in the telecommunications sector. The Nigerian Communications Commission (NCC) regulates the sector but is supervised by the Federal Ministry of Communications. The NCC seeks to create a proper regulatory environment for the supply of telecommunication services and facilities, promote fair competition, establish technical standards and promote Nigerian telecommunications. It is empowered to license private-sector operators, draw up technical standards and rules as well as approve rates charged by operators. The NCC accredits foreign bodies and provides type approval for telecommunications equipment and facilities for use in Nigeria. The NCC licensed all operators with the exception of NITEL in 1998. The licenses' duration ranged between 5 and 10 years, each operator having paid a fixed license fee for each service type. An additional operational fee of 2.5% is charged on turnover less costs.

The Federal Ministry of Communications is responsible for frequency allocation as well as numbering plans and interconnection rates. NITEL takes charge of the technical management of frequencies and requires the signing of an inter-connectivity agreement between it and private operators before the latter can connect to the national network.

In 1997, the Federal Government was in the process of selecting a second national telecommunications carrier to provide competition in the long-distance and international services. The privatization of NITEL was announced in the 1998 Budget but the Federal Government would retain 40% of its equity and 20% would be sold to Nigerians. One explicit discriminatory treatment to be given to NITEL is that it is not subject to NCC license. This implies that it does not pay the fixed license fee and the additional operational fee of 2.5% charged on turnover less costs of private operators.

Nigeria's first auction of mobile telecommunications licenses by the NCC commenced on 17 January and ended on the 19th January 2001. Three additional national mobile telephone operators emerged to compete with the state-owned Mobile Telecommunications Limited (M-TEL), which has a reserve license to operate in the sector. The auction price reached for each license was US$300million. One of the conditions of the GSM license stipulates that a minimum of 100,000 lines must be connected to subscribers 12 months after the commercial launch of the license, 750,000 after 36 months, and 1,500,000 lines after 60 months. M-TEL is undergoing preparation for listing on the New York Stock Exchange and NASDAQ to acquire the financial muscle to compete in the market.

In order to improve services, Nigerian Postal Services (NIPOST) refurbished 77 vehicles and acquired 73 new ones. Radio and television services received a boost in the country through the Nigerian Broadcasting Commission Decree No 38 of 1992. Private radio and television stations operate alongside Federal and State stations. The liberalization of the sub-sector appears to account for its largest contribution to services GDP relative to other modes of communication.

Tourism

The Federal Ministry of Commerce and Tourism (FMCT) is responsible for policy formulation and monitoring as well as linkages with state government on all tourism matters. It is also responsible for planning and funding nationally-oriented tourism infrastructure, participation in international tourism organization, and providing policies and directives to state governments. The Nigerian Tourism Development Corporation (NTDC) established in 1992 by Decree No. 81, is responsible for the regulation and supervision of the registration and grading of tourism enterprises. It also promotes and disseminates information relevant to the industry. It publishes handbooks and general guidelines for the operation of the industry as well as collaborates with private sector participants in implementing policies and projects.

The National Council on Commerce and Tourism is the body that coordinates the planning and development of tourism in Nigeria. It is made up of the Minister of Commerce and Tourism as the Chairman, State Commissioners of Commerce and Tourism, representatives of travel agents, hoteliers and catering associations, tour operators and boards of airlines. The role of the State governments is to initiate projects, control land allocation and generally develop tourism at the state level. They are also to ensure that the operations of hotels and catering institutions are in line with federal government policy. They may directly take equity interests in tourism projects to encourage private investors. State Tourism Boards, a counterpart of the NTDC at state level were established to identify, preserve, protect and develop tourism assets and resources in the states and coordinate the activities of tourism agencies. The Local Governments have Tourism Committees that are mandated to identify potential tourist attractions in their areas, serve as information centers, and preserve monuments and museums.

The government has renewed its determination to develop the sector. It thus developed a tourism policy and established a package of incentives to attract private sector participants. The package of incentives include the provision of adequate budgetary allocations by state and federal governments; increased fund generation through statute-backed taxes on hotels, travel agents, tour operators and other commercial activities from tourism by the National Tourism Corporation and States Tourism Boards; and the setting up of a tourism development bank to which all stakeholders in the tourism sector will contribute.

Tourism centres have been identified while organizations for the planning, development, promotion and marketing of tourism have been established, with clearly defined functions for the three tiers of government. Similarly, the need to develop and accelerate infrastructural facilities such as good roads, water, electricity, communications and access to land has been identified. State governments are therefore required to demarcate tourism zones to facilitate tourism sector development. Preferential credit and fiscal facilities are planned to be targetted at private tourism operators while laws regulating the activities of hoteliers, travel agents, tour operators, and car hire services to ensure security of tourists and tourist attractions are planned to be established.

Transport

All of the sub-sectors in the transport sector are currently undergoing reforms to improve their performance through a combination of government support and increased private sector participation. The Federal Airports Authority of Nigeria (FAAN) is responsible for the maintenance of facilities at Nigeria's airports and for upgrading the facilities to the International Civil Aviation standards. While it is intensifying efforts at improving existing facilities to meet international safety standards, it has signed agreements on procedures for provision of air traffic services within the country and the West African sub-region (CBN, 1998). The Nigeria Airways continues to be the national carrier but has remained dormant for almost a decade. It recently increased its fleet of aircrafts and rescheduled its debts. The Bilateral Air Service Agreement (BASA) between Nigeria and British Airways has also been restored. The private sector operates actively on the domestic routes while Nigeria Airways compete with foreign airlines on international routes.

Rail transport practically grounded to a halt and is currently being rehabilitated by the China Civil Engineering Construction Corporation (CCECC) of the People's Republic of China which signed a contract to this effect in 1996. Since then, 35 locomotives, 260 wagons, 118 coaches and 20 railcars have been delivered to the Nigerian Railway Corporation (NRC). The rehabilitation accounted for its increased passenger and freight revenue in 1998 (CBN, 1998).

The main regulatory agencies for maritime transport include the Federal Ministry of Transport; the National Maritime Authority (NMA); the Nigerian Ports Plc; and the Nigerian Shippers' Council. The Nigerian shipping policy decree was enacted in 1987 with the major objective of increasing the participation of domestically owned ships in international trade. The decree places a limit on the total value or number of maritime transport service transaction and the total number of foreign natural persons that may be employed in the maritime transport service sector. In effect, 100% of the crew, at least 75% of the shipboard officers and wherever possible the Chief Engineer must be Nigerians. The decree provided indigenous shipping lines the exclusive rights to carry at least 40% of Nigeria's sea-borne trade, in line with UNCTAD Code of Conduct for Liner Conferences. It also provides vessels carrying the Nigerian flag must lift at least 50% of Nigeria's oil exports.

Prior to 1996, many redundant but clearance-impeding port agents were working at the ports, leading to multiple fees and charges levied at various stages of cargo discharge, and culminating in about 45% unnecessary fees and levies. This led the authorities to reduce the number of agents to the essential ten and the setting up of a task force to clear the ports of unauthorized persons. In addition, since about 40% of charges are not levied in competing foreign ports, the Nigerian Ports Authority (NPA) has been ordered to stop unnecessary fees. Foreign suppliers may provide such ports and auxiliary services as container station and depot services, maritime freight forwarding, maritime cargo handling and repair of vessels in port areas, while they may also obtain licenses to utilize waterfront for commercial purposes.

According to reports from the newly constituted Board of the NPA, the operations of the ports are planned for privatisation. NPA's role would be limited to regulatory and land ownership. Other measures in maritime transport include the approval of six Container Freight Stations spread across the country by the Federal Government, and the establishment of a dry port in Jos scheduled to start operations in January 2001. The operations are planned to be pivoted by the private sector especially in the areas of warehousing, trucking, consolidation and distribution services.

Decree 37 of 1999 established a Joint Dock Labour Industrial Council (JODLIC) to reorganize, streamline and generally sanitize the dock labour industry. Since then, the participation of international shipping lines has increased at the ports, faster turn around of vessels and the reduction of freight costs by an average of 35%-40%.

Electricity

Recent developments in the electricity services industry indicate that the power generation monopoly of the state-owned corporation NEPA have been broken. An agreement between the Ministry of Power and Steel, NEPA, and a private, independent power production (IPP) company, contracted by the Lagos State Government, has been signed to generate 810 megawatts (MW) of electricity for transfer to the national grid and subsequent dedication to the state. Another private initiative is under consideration to generate 860MW of power for four states in the south west of the country. However, the distribution network is still the sole responsibility of NEPA which is required by the agreements to dedicate specific levels of electricity to the generating states.

Water

The water sector is currently under transformation aided by increasing private sector initiatives. Private water producers, small scale in nature have taken over the sector in the southwest, packaging water in 0.5litre containers for sale, under license from the National Food and Drug Administration and Control (NAFDAC). A pioneering effort to concede water production to private companies is being experimented in the east of Abuja where a private water company, RU Water, has commenced the supply of water under a license granted by the Nassarawa State Government. The company sells a 25litre can for N2.50 or US$0.02.

Real Estate and Housing (Dwelling) Services

The development of the housing sub-sectors is under the responsibility of the Federal Housing Authority and State Housing Corporations, which operate under the framework of the National Housing Policy which established the National Housing Fund, Primary Mortgage Institutions, and Federal Mortgage Bank (FMBN). The National Housing Fund Decree No 3 of 1992 mandated the Fund to provide long-term loans to Primary Mortgage Institutions for onward lending to the contributors of the Fund. The decree also established the Federal Mortgage Bank (FMBN) to manage and administer the Fund for viability and liquidity. The National Housing Policy has remained dormant for some time because of inadequate funding; non-promulgation of the amended National Housing Fund (NHF) decree; non-completion of the re-capitalization of the FMBN; and difficulties in the acquisition of certificate of occupancy by NHF contributors (CBN, 1998).

Regional Policy Reform on Trade In Services

Nigeria is a party to a few multilateral treaties signed to promote investment. These include the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, of 10 June 1958; the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, of 18 March, 1965; and the Convention Establishing the Multilateral Investment Guarantee Agency, of 11 October, 1985.

Nigeria is a founding member of the Economic Community of West African States (ECOWAS) formed in 1975, which also has trade and investment liberalization commitments, though these are left unimplemented to a large extent, due to the Nigerian authorities perceived lack of harmonization among customs administrations in the member states. Also, the implementing legislation of ECOWAS lapsed in 1994. Nigeria is also a member of a trade promotion and two commodity organizations. These are the Association of African Trade Promotion Organizations, Inter-African Coffee Organization, and the West African Groundnuts Council. Nigeria also belongs to the Organization of African Unity (OAU) and ratified the Treaty establishing the African Economic Community in 1991. The Treaty envisages the creation of a pan-African economic and monetary union over a 34-year period with the aim of ushering in a common market in the African region. The treaty has not been activated since it was signed.

The Revised ECOWAS Treaty, signed in 1993, is a sub-regional treaty which aims at the establishment of a common market, involving among others, the removal of obstacles to the free movement of persons, goods, services and capital, and the right of residence and establishment. It also commits members to undertake to achieve the removal of these obstacles within five years following the creation of the envisaged customs union, which shall be established by the year 2000. The Revised Treaty also includes a provision of a capital issues committee to ease capital movements among member states by facilitating the removal of controls on the transfer of capital in accordance with a time-table determined by the ECOWAS Council of Ministers. It, in addition, has the responsibility to ensure that nationals of member states are provided the opportunity of acquiring stocks, shares, and other securities or otherwise for investing in enterprises in the territories of other member states.

Other trade-related agreements to which Nigeria is a signatory is the EU-ACP Lomé Convention and the Agreement on the Global System of Trade Preferences (GSTP) among developing countries. These two agreements are limited to the objective of creating better market access conditions among members for merchandize trade through the application of duty-free arrangement or lower tariff concessions, and therefore do not extend to trade in services. The EU-ACP Lomé Convention lapsed in 1999 and is being reworked as Economic Partnership Agreements (EPA) to include trade in services. Nigeria is also a member of the Commonwealth.

3.2 Sector Reforms and Changes in Market Structure and Performance

The impact of sector reforms can be evaluated on three of the main services sectors namely, financial, telecommunications, and transport services sectors. The impact assessment is two-fold. One relates to the performance brought about by unilateral reforms while the second evaluates the influence of GATS obligations presumably commencing from 1995. From 1995 to 1998, a period during which GATS obligation became binding, commercial, merchant, and community banks, as well as discount houses, insurance firms and primary mortgage institutions recorded significant growth in their total assets, reaching respectively 10%, 10%, 30%, 80%, 340%, and 30% (Table 3).

The changes in the number of participants in the financial services sector have been mixed depending on the component of the financial industry, as shown in Table 4. For commercial and merchant banks and insurance firms, the financial reforms of the late 1980s induced substantial entry and exit in their industries. The number of participating firms rose respectively from 29, 12 and 88 in 1986 to 51, 38, and 135 in 1998, representing a growth of 80%, 220%, and 50%. The growths however appear moderated by the distress conditions in the sector in the early 1990s. One important observation arising from the trend in the structure of participation in the financial sector is the absence of the influence of GATS obligation. The number of firms operating in the commercial and merchant banking as well as insurance services sectors fell respectively by 40%, 110%, and 10% between 1995 and 1998. The number of community banks and primary mortgage institutions also fell in 1998. The number of discount houses however rose from 4 in 1995 to 5 in 1998. It can be concluded therefore that the performance and changing structure of the financial services sector has been largely due to autonomous liberalization that commenced with SAP in 1986.

Two market liberalization policy episodes can be identified in case of the telecommunication sector namely 1992 and 1997. Because the licenses granted to private operators in 1992 largely remained unutilized, the sectors falling value added further nose-dived from 40% in 1992 to an average of 20% between 1993 and 1996. In 1998, its value added rose to 50% from 30% of 1985 level after the reform of 1997 (Table 2). The reform measures introduced in the air transport sector between 1985 and 1992 did not add value to the sector. Its value added fell from an index of 1 in 1985 to 0.2 in 1991, but recovered in 1997 to 80% of the performance level in 1985. Hotels and restaurants services are expected to respond to the general privatization policy introduced in 1988. There was no response in either its contrition to GDP or value added. The National Housing Policy was introduced in 1992 with the establishment of mortgage institutions and a housing fund. The sector responded by growing in that year from 60% of its performance level in 1985 to 140% in terms of its share in GDP, and to 290% of 1985 value added.

There are no specific commitments in the Revised ECOWAS Treaty. It is thus difficult to assess its impacts on trade in services. Also, the inadequate implementation of the Treaty implies that it may not pose compatibility problem with Article V in practice especially with respect to whether levels of barriers against non-members have increased as a result of the Treaty. In a similar sense, Nigeria has not incorporated its commitment sin the WTO into its national laws and this impinges on the type of post-Agreement assessment that can be conducted.

The General Direction of Future Domestic and Regional Policy Reforms

The Privatization and Commercialization Decree of July 1988 targeted at public sector firms, which constituted a large proportion of all firms operating in Nigeria's formal business sector, marked the beginning of market liberalization in Nigeria. Indeed by 1990, a total of 1500 companies, 600 of which belonged to Federal Government, were identified as public companies, accounting for 30-40% of both fixed capital and employment in Nigeria (Trade Policy Review, 1998). The Technical Committee on Privatisation of Companies (TCPC) in 1993 identified additional 429 public enterprises wholly or partly owned by the Federal Government in addition to the 145 covered by the 1988 Decree. This size of public enterprises was due to past government developmental role, which favoured active involvement in strategic sectors of the economy. This has hindered market access in many sectors, basically because the authorities necessarily had to shield government corporations from competition to obtain the desired level of return on investment.

A guided privatization and commercialization policy, announced in the 1998 Budget Address, imposed an ownership condition that at least 20% of shares in privatized companies should be sold to Nigerians while government would retain at most 40% of the equity in the privatized firms. Government enterprises in telecommunications, electricity, petroleum refining, chemicals, coal and bitumen production and tourism development were planned for privatization in the first phase of the programme. The domestic policy environment therefore appears to be headed towards more market liberalism. However, Nigeria has not incorporated its commitments in the WTO into its national laws. Any liberalization that has taken place in the services sector can then be attributed to unilateral efforts of the authorities in Nigeria. Nonetheless, an assessment of the far-reaching services liberalization especially in the telecommunication, maritime transport, tourism and financial services sectors indicates that Nigeria is committed to opening up these services to foreign providers, albeit slowly. The impacts of these efforts remains to be seen but will be quickened by integrating the country more into the WTO system and by the effects of the response of other WTO members whose acquired trade rights are trampled by Nigeria. Delayed incorporation into national laws impinges on the sustainability of unilateral reform policy measures that have been taken so far.

IV. THE GATS IN NIGERIA

4.1 Brief Profile of GATS

The General Agreement on Trade in Services (GATS) is a pioneering agreement evolved under a multilateral framework that focuses on international transactions related to services. It seeks primarily to secure access into the domestic market of countries by facilitating the progressive negotiation of "offer and acceptance" of conditions among trading countries in order to liberalize all trade in services. Market access in services trade refers to the right of foreign providers to accede to the domestic market to provide services. It has three fundamental principles namely; national treatment, most-favoured-nation (MFN) treatment, and progressive liberalization. The first principle established a standard for a non-discriminatory market-structure relationship between foreign and domestic suppliers. It thus states that foreign services and services suppliers should be accorded similar treatment provided to nationals in a domestic services market.

The second, which is the MFN treatment, concerns a stipulation that prohibits discrimination between other Members of the Agreement in terms of the treatment accorded to their service suppliers, whether nationals or foreign. In this respect, member countries are required to publish all discriminatory restrictions and barriers to market access to ensure transparency. The principle of progressive liberalization is couched on the possibility of using current binding commitments on market access of member countries to provide the basis for future rounds of negotiation. It therefore allows member countries to continue negotiating with a view to achieving a progressively higher level of liberalization in services trade, with the first of such negotiation beginning within five years of entry into force of the agreement.

The GATS covers all areas of trade in services classified into four modes of supply. These four modes include cross-border supply, consumption abroad, commercial presence and the movement of natural persons. The four modes of supply are applicable to all activities. For example, in business services, there can be cross border supply, consumption abroad, commercial presence as well as presence of natural persons. Consumption abroad is the supply of a service "in the territory of one member to the services consumer of another member". The consumer travels to the supplying country (e.g. tourism, educational establishment, ship or aircraft repair, etc) and do not require the service supplier to be admitted to the consuming country. Commercial presence connotes the admittance of the services supplier to the consuming country. The services is supplied through the commercial presence of the foreign supplier in the territory of the service consumer e.g. establishment of branch offices or agencies to deliver banking, legal advice or communications services. This mode of supply raises the most difficult issues for host governments and GATS negotiations, in the context of grappling with internal policy issues such as rights of establishment that are inherent in the commercial presence of foreign interests. The GATS in this respect is concerned with establishing multilateral rules that guarantee the opportunities for firms and individuals to establish themselves in a foreign market.

The presence of natural persons is the admission of foreign nationals to another country to provide services there. The admission of foreign nationals relates to commercial presence (employment of foreign managers/specialists) or can be related to individual service providers. Mode 4 does not cover seeking employment, citizenship, residence or employment requirements in another country. Members may still regulate the entry and stay of natural persons by requiring visas but such regulations should not prevent the fulfillment of member countries commitments.

The GATS also contains two main parts: the framework agreement, and the national schedules of specific commitments undertaken by each member government. The first part has 29 Articles and a number of annexes while the national schedules of specific commitments contain the results of market access negotiations in services in the Uruguay Round (UR). The country commitments conceded in the GATS are expected to benefit certain economic agents in all countries. These include efficient suppliers of services, users of services, and foreign investors. The first set of agents will clearly benefit from a more open and secure market condition by moving into hitherto restricted markets while lower prices and larger variety will be available to consumers from increased market supply from different sources. In addition, foreign investors are able to obtain adequate information relating to particular investment environment through the stability and predictability conditions of national policies engendered by services commitments; transparency in market access, which is induced by the indication of the possible limitations on market access; and national treatment in scheduled commitments; and national treatment obligations. The predictability and stability conditions provide, on the one hand, an indication that a binding commitment allows foreign supply of services based on specified terms and conditions, and that such terms and conditions will remain for a period during which no new measures that would restrict entry into the market or operation of the service will be imposed, on the other. If otherwise imposed, it only will be done with compensatory adjustments made with respect to affected countries.

The commitments in national schedules are divided into two: horizontal commitments, which apply to all sectors included in the schedule; and sector-specific commitments, that apply to particular services or activities. While both variants of commitments cover the type of sectors, sub-sectors or activities as well as the type of limitation that each sector, sub-sector or activity is subject to, another important part of the schedule indicates the presence or otherwise of MFN exemptions. These exemptions are country domestic policy measures that are inconsistent with the MFN obligation. They can be maintained for a total of 15 years; 10 years at first, but renewable for a 5-year period. MFN exemptions are common in sectors that tend to be regulated through bilateral agreements, such as maritime transport, land transport and the audio-visual sector.

Members have listed 161 service activities aggregated under 11 heads to describe and categorize their commitments. These service activities so aggregated are business, communication, construction, distribution, education, environment, financial, health, tourism and travel, recreational, cultural and sporting activities, as well as transport. The implication of the commitments in any of these activities is such that it will be possible for foreign suppliers of services to operate in the domestic market of those services sectors where a country has made commitments. Out of the 11 main service activities, negotiations continued in basic telecommunications, financial services, and maritime transport after the Uruguay Round. Nigeria undertook commitments in only four of these major areas namely, communication, financial, tourism and travel, as well as transport. While the country’s commitments in the financial sector have been viewed as a major and far-reaching step among developing countries, the commitments have the potential of realizing the sector's fuller development. The Nigerian services sector is dominated by public activities and such dominance is one of the reasons for its underdevelopment. Between 1991 and 1995, the services sector contracted from 23% - 26% of GDP at current prices, with largest reductions in financial services and building and construction (Trade Policy Review, 1998), suggesting sectoral underdevelopment relative to other developing countries.

4.2 Nigeria’s Commitments under GATS

Nigeria, in the horizontal commitment of its GATS schedule, notified certain market access measures affecting all sectors. In particular, commercial presence in all services sub-sectors requires local incorporation in accordance with relevant domestic legal provisions and regulations pertaining to land acquisition, lease rental, etc. The country undertook no commitment for the presence of natural persons, except for measures concerning the entry and temporary stay of personnel employed in senior management and expert jobs for the implementation of foreign investment. Their employment must be agreed by service providers and approved by the NIPC (see Table 8).

Nigeria also undertook sector specific commitments in telecommunications, financial, tourism and transport services. Despite the commitments, certain restrictions were placed on market access mostly in the case of cross-border supply, consumption abroad, and presence of natural persons. But, no market access limitation is placed on commercial presence for almost all sectors in Nigeria's schedule (except 'services connected with rental of vessels with crew') while no exemption is granted from MFN treatment in respect of any measure. Nigeria made substantial liberal commitments in financial services. Its commitments in securities trading contain no limitations for commercial presence though underwriting and other businesses related to issues of securities are excluded from these commitments.

The country bounded (i.e. has commitments in) virtually all sectors of core banking business, and a number of securities and other financial services while it excluded such services as derivative trading, swap transactions, underwriting, money broking and advisory services. Specifically, Nigeria undertook has commitments only for the provision and transfer of financial information and advisory services under cross border supply, no commitment under consumption abroad except Guarantees and commitments, while it also has no commitment with respect to the presence of natural persons. It, however, does not place any limitation on commercial presence in banking.

All the sub-sectors of insurance are included in the GATS schedule, with full binding on commercial presence of both life and non-life insurance services. There are no limitation on market access whatsoever, thereby allowing for foreign direct investment in the sector. However, commercial presence in reinsurance and retrocession is subject to the approval of the Minister of Finance. Insurers are required to cede 20% of their business to Nigeria Reinsurance Corporation that has the right of First Refusal.

Cross-border supply, consumption abroad and commercial presence in tourism and travel related services are fully bound as no limitation of any kind is imposed apart from those in the horizontal commitments. Nigeria has no commitment under the presence of natural persons in this sector.

Maritime and rail transport are the only sectors featuring under transport service in Nigeria's schedule of commitments. There are no commitments granted for all the three services sub-sectors in maritime transport especially under cross-border supply, and the presence of natural persons. Nigeria's commitments are also unbound for commercial presence with respect to 'rental of vessel with crew'. No commitments are made also in respect of cross-border supply and consumption abroad while Nigeria fully bound commercial presence and presence of natural persons for the maintenance and repair of rail transport equipment.

The implication of these commitments in the GATS framework is twofold. One, adequate and competition-inducing rules and regulations must be established to meet the country's obligations as well as defend its acquired services trade rights. Two, adequate institutional framework must be created to strengthen the operations of the sectors to reduce the possibility of the occurrence of market failure. Both frameworks, to be embedded in domestic policies, must be compatible with GATS obligation.

The level of commitments in core banking business and a number of securities and other financial services, life and non-life insurance services, as well as tourism and travel related services raises one crucial question which relates to whether Nigeria's extent of commitments, in terms of sectoral coverage or mode, compares with those of other developing and developed countries in general. The resolution of the issue concerns the relative performance of Nigeria's commitments in GATS relative to those of other countries.

Nigeria ranks 43rd among all the countries of the world that have undertaken commitments in service activities in the GATS. However, it ranks 25th among developing countries, falling behind such countries as Ghana, India, and Brazil which rank 22nd, 20th, and 16th respectively. While the number of services in which Nigeria has commitments is 29, those of Ghana, India and Brazil are 32, 33, and 43 respectively. In Sub-Sahara Africa, Nigeria takes the 3rd position, ranking better than Egypt, Kenya, Senegal, Zimbabwe, among others, and falling behind Morocco and Ghana (Table 8). Using Ghana's commitments as a basis for Nigeria, there is apparently a mismatch between Nigeria's physical and economic size and the level of commitment it undertook in the GATS.

Nigeria did not schedule commitments in 7 main sectors namely, business; construction; distribution; education; environment; health; and recreational, cultural, and sporting sectors. But the number of developing countries (LDCs) scheduling commitments in these areas, out of a total of 76, ranges from 3 - 38 in business; 13 - 21 in construction; 2 - 8 in distribution; 1 - 5 in education; 5-7 in environment; 2-14 in health and 0 - 16 in recreation, cultural and sporting sectors (Table 9). Nigeria thus belongs to the few developing countries that undertook commitments in these services sectors. At least 50%, 72%, 89%, 93%, 92%, 82% and 79% of the 76 developing countries did not schedule commitments in business; construction; distribution; education; environment; health and recreation, cultural, sporting sectors respectively. More developing countries have commitments in business, financial, and tourism and travel sectors, constituting respectively 50%, 62% and 89% of the 76 LDCs participating in the GATS. In other words, out of the eleven main sectors, services in which about or over half of the 76 LDCs undertook commitments are these three, while very few LDCs, ranging from (7 - 34%), are committed in 8 or 72% of main services sectors. On the contrary, over half of developed countries (DCs) are committed in all the sectors while over half of transition countries are committed in 9 or 82% of the 11 main service sectors. The relative discouraging commitments of LDCs, including Nigeria, can be explained in terms of the stage of their socio-political and economic development. Most LDCs do not possess the capacity to liberalize trade in services as much as DCs for reasons of protecting employment, generating revenues, and protecting the balance of payments. However, there appears to be important lessons to be learnt by LDCs from the depth of commitments undertaken by transition countries.

Nigeria undertook limited commitments in the communications services sectors. No commitment was undertaken in postal, courier and audio-visual services. The commitment in telecommunications is also limited to the sale, installation of terminal equipment, operating payphones, and value added services, as well as cellular, paging and other mobile communications services (voice and data). Basic telecommunications especially public switched, international services and network infrastructure are excluded from Nigeria's schedule of specific commitments. In relative performance terms, Table 10 indicates that a maximum of 21 LDCs undertook commitments in the range of telecommunications services, representing 26% of all LDCs. Only 10% or 13% of LDCs undertook commitments in voice telephone services while in DCs and transition countries, no country committed itself to liberalize the sector. All 25 developed countries however undertook commitments in electronic mail, voice mail, on-line information and data base retrieval, electronic data interchange (EDI) and code and protocol conversion sub-sectors in comparison to 25%, 22%, 28%, 18%, and 16% for these respective services in LDCs. About 80% of transition countries comprising Czech Republic, Hungary, among others, have commitments similar to those of DCs in these sectors. Developing countries, including Nigeria thus appears more favourably disposed to liberalizing associated services in basic telecommunications than the developed and transition economies.

The maximum number of LDCs that scheduled commitments in insurance and banking are 47 and 37 respectively, representing about 62% and 49% of all LDCs participating in the GATS. Nigeria's pattern of commitments in insurance is similar to those of DCs and transition countries, those which undertook commitments in all the sub-sectors of insurance services. In specific terms, Nigeria's scheduled commitments in financial services are broad-based, excluding only activities related to the trading of derivatives, exchange rate instruments, securities issues and money broking. About 90% of DCs committed themselves to liberalize trade in all the sub-sectors of banking and other financial services (excl. insurance) while for transition economies, at least 50% of them undertook liberalization commitments in these areas. In the case of LDCs, there are wide variations between sectors, the highest proportion being 46% in the area of accepting deposits and lending of all types while the lowest is in the range of 14% and 17% in the area of derivative products (e.g. futures and options) and settlement of clearing services for financial assets (e.g. securities, derivative products and other negotiable instrument) and money broking. In banking and related services therefore, Nigeria's commitments have a semblance of those of LDCs countries even when most of them (about 54%) did not undertake commitments in this service sector.

In contrast, 91% of LDCs scheduled commitments in hotel and restaurant services, and 70% of them in travel agency and tour operator services. These compare favourably with the proportion of DCs and transition countries (accounting for 100% in both cases) that undertook commitments in these services sectors. The number of LDCs committed in tourist guide services is however low, representing about 32%, while committed DCs and transition countries are 96% and 50% respectively. The structure of commitments thus indicates that Nigeria has similar commitments with respect to DCs and transition countries as well as some LDCs in hotel and restaurants, travel agencies; and tour operator services; but divergent commitments from most LDCs in tourist guide services.

The proportion of all countries that undertook commitments in the three categories of maritime transport in which Nigeria is scheduled is very low representing, for freight transportation, 12%, 28%, and 0% respectively in DCs, LDCs and transition countries. Similarly, for the category of services relating to rental of vessels with their crew, the proportion is 56%, 8% and 0% in DCs, LDCs and transition economies. In the maintenance and repair of vessels sub-sector only 4%, 11% and 25% of DCs, LDCs, and transition countries undertook commitments to liberalize the sector. Thus, in the transport services sector, Nigeria shares similar commitment pattern with majority of all the countries in freight transportation, and the maintenance and repair of vessels; with majority of DCs in rental of vessels with crew; and with many DCs and transition countries regarding the maintenance and repair of rail transport equipment sectors.

4.3 Implementation Issues in GATS

The above performance analysis shows the extent of Nigeria's level of commitments relative to other group of countries. What is of interest next is whether, and the extent to which, Nigeria implemented its GATS commitments. Components of this interest include the extent of liberalization in sectors which Nigeria undertook specific GATS commitments. Improvement on the efficiency with which services are provided in developing countries will impact positively on their ability to gain market access for export commodities by making them more competitive in two ways. One, as services supply sources and actual supply expand, the costs of inputs for production of export commodities tend to reduce. Two, as the share of services in manufacturing and other activities rise, the total cost of production will fall leading to competitive pricing of outputs.

Undertaking commitments in the GATS implies substantial opening up of the relevant services sectors in Nigeria's schedule of specific commitments. Nigeria's obligations in these sectors also imply that policy measures are required to be introduced to translate the country's granted concessions into reality. In other words, the required liberalization policy measures should have been established in the relevant aspects of the telecommunications, financial, tourism and transport services sectors by now, five years into GATS commitments. These policies and their implementation in each of the sub-sector are the focus of this section.

Telecommunications

Autonomous liberalization efforts in the Nigerian Telecommunications industry predate the GATS commitments of 1994. In 1992, several private operators were licensed to provide mobile telecommunications services using the VSAT technology among others. After 1994, a series of liberalization measures were implemented in the sector. One such measure taken in 1997 was the agreement between NITEL and MCN that authorized the latter company to provide telephone services through the former’s national grid, breaking NITEL's monopoly in basic telecommunications. By 1998, the policy to allow private operators in the sector had been strengthened, culminating in the participation of six private operators and eight VSAT license holders in the basic telecommunications and mobile telecommunications sectors. Also in 1998, there were only 400,000 lines connected out of the total installed capacity of 700,000 lines, representing a teledensity of 0.4 or 4 lines to 1000 people.[1] The immediate government policy choice to increase teledensity was to peg the cost of obtaining a line at N25,000 at first and later to N15,000 from N150,000; leading to an increase in unmet demand for lines. NITEL has also provided private operators are now provided with E-Ones, an expanded interface mechanism that allows private operators to lock in equipment into NITEL switch to enhance connectivity. An E-one amounts to 30 lines. The threat of potential competition is the basis for spirited actions by the government to make NITEL more competitive by a planned introduction of fibre optic, wireless local lobe (WLL), and Global System for Mobile (GSM) technologies by the end of 2001.

The main difficulties Nigeria faces in liberalizing the relevant aspects of telecommunications services relate to the establishment of a regulatory framework under a competitive environment; the capacity to liberalize effectively; dealing with stakeholders' interests in the sector; and the slow pace of privatization of the state-owned provider of telecommunications services, NITEL.

The NCC is mandated to regulate the telecommunications services industry in terms of ensuring adequate supply, fair competition, adequate technical standards; as well as licensing private sector operators. Since 1992 when the NCC was established, it had succeeded in licensing a limited number of operators whose impact were felt mainly in the urban centres such as Lagos and Abuja because the type and number so licensed have not been able to increase market supply sufficiently to lower prices and tariffs. Thus, the inadequacies in the operation of NCC showed in the high cost of landlines and mobile phone lines, at about N100,000 (US$1000) and N150,000 (US$1500) respectively in 1998, thereby hampering access to users. These operational shortcomings suggest the lack of adequate capacity for effective liberalization despite the spurring influence of GATS commitments on the Commission to achieve its mandate. A related difficulty is the frequent change in government since the Commission was established. There have been five different governments since 1992, implying that the actualization of the Commission's mandates might have been disrupted by the need to restructure the Board to reflect the disposition of the new governments to the communications sector.

Perhaps the most enduring difficulty in telecommunications sector liberalization is the slow pace of privatization of NITEL, induced by unhealthy stakeholders' interests in the sector. Since 1997, the Federal government had decided to select a second national telecommunications carrier to provide long-distance and international services (TPR, 1998). In 1998, NITEL privatization was announced, while in 2000, the "guided privatization" policy was strengthened. All the intentions of government have not been satisfactorily concluded. It thus appears that articulate planning and implementation schedule to meet government's commitment to an irreversible transition of the sector towards deregulation are lacking. The management of NITEL was reported to have initiated a four-year investment plan totalling N468 billion (or $3.9 billion) to improve its services. The timing and purpose of the plan is critically viewed as an attempt to block its privatization by the government.

[1] Minister of State, Federal Ministry of Communications in an interview with Sunday Tribune, 7 January, 2001

Financial Services

Liberalization measures in the financial services sector mainly include interest rate deregulation; easing entry and exit conditions; strengthening of prudential guidelines induced by sector-wide reforms; strengthening the financial services sector by providing market alternatives in the form of treasury and other securities; granting permission to foreigners since 1995 to invest in money market instruments with foreign capital legally imported; the free repatriation of profits or capital in the event of sale or liquidation; and the internationalization of the Nigerian capital market. More importantly, according to the NIPC decree, the financial services sector is not included on the "negative list". This implies that a foreign investor can set up financial services business in Nigeria with 100% ownership, in contrast to the earlier ownership limitation to 40%. The fact that such share ownership arrangement exists in the financial services sector is a major implementation success of Nigeria's GATS commitments in this sector. Since 1998 also, stocks and shares of all types have been exempted from the list of chargeable assets liable to capital gains tax.

The main difficulties faced in meeting GATS commitments in this sector are related to the stability of the financial services sector, inadequate capacity, as well as jurisdictional problems. The easing of entry and exit conditions and deregulation of interest rates following the introduction of SAP have created undesired instability effects in the financial services sector both in terms of the number of new banks and distressed banks. Interest rates have also risen phenomenally in such a manner that investments were perceived discouraged, leading to the temporary reversal of deregulation policy in 1994. The instability experienced in the financial services sector is closely linked to inadequate operational and regulatory capacity in the sector. The sudden surge in the number of banks had culminated in the use of unqualified staff in banking operations while the regulatory capacity was overstretched. In other words, instability has limited the extent of liberalization consistent with GATS commitments.

A most difficult problem in rendering the sector GATS compatible is that the pro-competition regulatory framework required to forestall uncompetitive behaviours of private sector agents has been haphazardly applied in Nigeria. This is induced by the frequency of jurisdictional changes that have occurred in the efforts to regulate the financial services sector. The problem of jurisdiction between the NDIC and the CBN relating to the supervision of banks and other financial institutions is indeed viewed as that of inadequate capacity to meet the challenges of financial services sector liberalization.

Tourism and Travel Related Services

The government has renewed its determination to develop this sector. It thus developed a tourism policy and established a package of incentives to attract private sector participants. The package of incentives includes the provision of adequate budgetary allocations by state and federal governments; increased fund generation through statute-backed taxes on hotels, travel agents, tour operators and other commercial activities by the National Tourism Corporation and States Tourism Boards; and the setting up of a tourism development bank to which all stakeholders in the tourism sector will contribute funds.

Additional achievement in the sector is the identification of tourism centers and the establishment of organizations for the planning, development, promotion and marketing of tourism. These organizations have clearly defined functions at the three tiers of government. Similarly, the need to develop and accelerate infrastructure facilities such as good roads, water, electricity, communications and access to land has been identified. State governments are therefore required to demarcate tourism zones to facilitate tourism sector development. Preferential credit and fiscal facilities are planned to be targeted at private tourism operators while laws regulating the activities of hoteliers, travel agents, tour operators, and car hire services to ensure security of tourists and tourist attractions are planned to be established. The success recorded in the sector is thus limited to clearing the ground for eventual take-off. The long preparatory period is however the bane of implementation in that context.

Transport Services

The implementation success recorded in this aspect of GATS commitments concerns the establishment of policy to facilitate enhanced maritime freight transportation through port reforms aimed at eliminating multiple fees, increasing transparency and accountability, reducing the number of security and regulatory agencies operating at the ports, and streamlining the activities of port workers. In the area of market access, foreign suppliers are allowed to provide such ports and auxiliary services as container station and depot services, maritime freight forwarding, maritime cargo handling, and repair of vessels, without discrimination either in terms of taxes or services market access. In addition, the NIPC Decree abolished the 40% limit on foreign capital investment in shipping companies. However, inadequate number of indigenous shipping lines impinges on the extent to which Nigeria can use its shipping rights, ceded by the UNCTAD Code of Conduct for Liner Conferences, to carry at least 40% of Nigeria's sea-borne trade. Despite the provisions of the Code foreign shipping companies own the majority of vessels entered in Nigerian ports between 1990 and 1994 (FOS, 1996). The number of Nigerian ships entered in Nigerian ports fell from 520 in 1990 to 402 in 1994, and represented about 14% and 17% respectively of total vessels entered in 1990 and 1994.

Another implementation problem is that Nigeria's major ports are not as competitive as other ports on the West African Coast, this factor accounting for the diversion of imports from these ports to neighbouring ports. This has also led to rising smuggling activities especially for used vehicles, and places a limit on the realized quantity and value of services that can be rendered by foreign pot firms. In January 2001, the Minister of Finance announced the reduction of tariff on used cars from 30% to 5% apparently to boost port activities in the country.

Nigeria undertook commitments to liberalize the maintenance and repair of rail transport equipment based on commercial presence and the presence of natural persons in accordance with applicable horizontal commitments. The task of maintaining and repairing rail transport equipment has been the prerogative of foreign service providers particularly because of their expertise in the area. Between 1979 and 1982, a bilateral technical cooperation existed between the NRC and the Rail India Technical and Economic Services (RITES) to rehabilitate the railway system and enhance its performance. In 1995, the CCECC had been involved in another bilateral cooperation to improve rail tracks and communication facilities as well as rehabilitate the entire railway stock. Thus, lack of technical expertise in the country has left this services market in the hands of foreigners. The only daunting task that may emerge concerns the MFN clause if Nigeria is inclined towards technical cooperation with firms in a particular region or sub-region. The two types of cooperation mentioned above are sourced from Asia, raising important issues about the possibility of continuing such cooperation in the presence of GATS commitments to liberalize in a non-discriminatory manner subject to MFN exemption that allows only regional liberalization to be at limited variance with GATS obligation.

Consistency between Domestic and Regional Policy Reform and GATS Commitments

The GATS imposes constraints on the use of unnecessary restrictive or discriminatory requirements in scheduled sectors. This imposition implies that governments need to complement market opening measures with domestic regulation for two main reasons. One, a regulatory framework that will usher in the needed liberalization to conform to GATS obligations must be established. Two, government regulation is required to monitor increased activities in liberalized sectors to imbibe the required technical standards. These will attenuate the danger of risks involved in market liberalization of such sector as telecommunications and banking (e.g. capital inadequacy and asset quality management risks in the financial services sector; and technical standards in the telecommunications industry). A prudential regulatory and supervisory mechanism is also necessary for Nigeria to attract foreign capital into relevant sectors and benefit from the commitments.

Some existing laws may however limit the scope of derivable benefits from the Nigeria's scheduled commitment. One, the insurance decree requires insurance companies to invest and hold in Nigeria assets at least equivalent to the amount of insurance business transacted in Nigeria. The total exclusion of foreign assets by this decree may jeopardize insurance companies ability to meet claims given that 44% assets of life insurance companies were held in federal government securities in 1994, in conjunction with other stocks of public sector enterprises whose finances had worsened the return on such investments.

Two, the Nigerian shipping policy decree enacted in 1987 has the objective of increasing the participation of domestically owned ships in international trade. To that extent, the decree places a limit on the total value or number of maritime transport service transaction and the total number of foreign natural persons that may be employed in the maritime transport service sector. In effect, 100% of the crew, at least 75% of the shipboard officers, and wherever possible, the Chief Engineer must be Nigerians. In addition, vessels carrying the Nigerian flag must lift at least 50% of Nigeria's oil exports. These laws are at variance with the nature of commitment under commercial presence for maritime freight transportation for which Nigeria places no limitations in scheduled commitments.

Third, the NCC licensed all operators with the exception of NITEL in 1998. The provisions of the license did not apply to NITEL. Though no limitation exists on private investment in the telecommunications service sector except in certain specific areas that concern national security according to the NCC, subjecting NITEL to a different set of rules is discriminatory and does not conform to GATS principle of national treatment.

Finally, the preferential credit and fiscal facilities that are planned for private tourism operators appears discriminatory. Except such preferential treatment satisfies the national treatment principle then it may be perceived as undue discrimination and subsidy for domestic operators. Article XV provides that national treatment should apply by making subsidy available to foreign suppliers. This provision may however be infeasible.

Most of the concerns about the relationship of the GATS and bilateral and regional agreements involve the existence and the extent of specific commitments in these other agreements and how these commitments relate to those in the GATS. In other words, the concern is about whether bilateral and regional commitments place restrictions on trade in services when non-members of the agreements are involved.

Article V of the GATS provides an exception to the general obligation of MFN treatment for countries that are members of regional trading arrangement. The article provides that MFN treatment accorded between parties of a trade agreement in services does not have to extend to third countries. Such agreements liberalizing trade in services must have 'substantial coverage' whether in terms of sectors, volume of trade and modes of delivery; eliminate measures that discriminate against service suppliers of other countries in the group; prohibits new or more discriminatory measures, or where this is impossible, negotiate compensation with affected non-member countries; must not increase the barriers that non-members face in trading with the group in services covered by the agreement; and such provisions must be notified to the Council for Trade in Services of the WTO. Stated conditions must be met at a "reasonable" time.

An analysis of the UNCTAD noted three important characteristics of African regional trade agreements (RTAs) as presently constituted. First, majority of RTAs [e.g. Southern African Development Community (SADC) and East African Cooperation (EAC)] do not contain any substantive obligation, or specific commitments adopted by the parties and hence do not raise any particular problem in respect of Article V.

Second, African RTAs have not utilized the flexibility provided by Article V between developing countries which allows larger maneuvering to exclude modes of delivery and sectors as well as the maintenance of discriminatory measures with regard to national treatment. Currently, most RTAs among developing countries currently in effect covering services incorporate in principle all sectors and all modes of delivery but exclude some sectors or modes of delivery from its commitments in practice.

Third, the facility of Paragraph 3(b) of Article V, which allows for the introduction or maintenance of discrimination on the basis of nationality (granting more favourable treatment to juridical persons owned or controlled by natural persons of the parties) has up to date not been incorporated into different agreements among developing countries. The UNCTAD assessment concluded that majority of RTAs containing provisions on services have not been notified to the WTO and that those notified have not yet been object of pronouncement regarding its compatibility.

The far-reaching commitments set out by the Revised ECOWAS Treaty are anchored on the creation of the customs union in the sub-region an objective that was yet to be achieved. With regard to trade in services, the customs union will allow members to lower market access barriers among themselves while they jointly maintain same towards non-members. As at 1999, measures to achieve integration in the sub-region are still being gradually implemented. These include the introduction of the ECOWAS Traveller's Cheque in member countries, adoption of the macroeconomic convergence criteria; replacement of yearly contributions with autonomous funds through Community levy, establishment of a permanent community surveillance system to monitor the removal of numerous illegal roadblocks along West African highways, and the call to remove controls on current account of some members.

The Revised Treaty appears to have substantial coverage of services sectors and mode of delivery because it does not specify which particular services are covered. To this extent, the Treaty conforms with the observation of the UNCTAD in the sense that it neither contains substantive obligation, or specific commitments nor utilize or incorporate the flexibility provided by Article V to allow larger maneuvering to exclude modes of delivery and sectors as well as the maintenance of discriminatory measures with regard to national treatment.

The extent of implementation of previous liberalization agreements in bilateral/regional agreements and GATS context appears unwholesome. Reasons for this can be identified as follows. The Revised ECOWAS Treaty does not specify which particular services are covered and the implementation of the Treaty in general has been slow. Two, Nigeria has not incorporated its commitments in the WTO/GATS into its national laws and this impinges on the level of commitment towards the obligation contained therein. In the presence of these two major anomalies, the implementation of liberalization of trade in services is constrained by the lack of adequate regulatory strength and the political will required to effectively assume obligations under the agreements.

4.4 Nigeria’s Future GATS Negotiating Agenda

The GATS generally supports individual country's development objectives and aspirations through its recognition of the primacy of national policy objectives as well as laws and regulations established to achieve the objectives. In a similar sense, the GATS strengthens the relationship between countries' commitments and future advances in levels of development by providing flexibility in services trade liberalization, allowing for the opening of fewer sectors and types of transactions as well as for the extension of market access in a manner that continues to support development aspirations.

Part of the understanding at the end of the Uruguay Round was the provision of assistance to developing and least developed countries to make their participation more effective. In terms of the GATS, developed countries were called upon to facilitate effective participation of developing countries by negotiating specific commitments to strengthen their domestic services capacity, efficiency and competitiveness through enhanced access to technology, distribution channels, market information and the liberalization of markets in sectors and modes of supply of export interest to developing countries.

In particular, developed countries were expected to grant such assistance through the reservation of a specified portion of services import for government use from developing countries and through the relaxation of entry conditions for service providers from developing countries. These may continue to remain mere expectations, as developed countries' promises of technical assistance in other aspects of the URA have in general not been fulfilled. Nigeria, as a developing country, requires technical assistance to bridge the gap in her services supply capacities relative to those of developed countries. With regard to technical assistance to developing countries, the World Bank began collaboration with the Coordinated African Programme of Assistance on Services (CAPAS) in 1999. CAPAS is a joint program of UNCTAD, US-DESA, and ITU, funded primarily by the IDRC and Carnegie Foundation, that was started in 1992 to strengthen capacity through studies and in-depth surveys of the sectors covered by the commitments. An equally significant dimension to the technical assistance provision is the timely implementation of the provisions of Article 19(3) of the GATS that provides for an overall and sectoral assessment of trade in services. These provisions have not been implemented to the satisfaction of countries in Africa though the results of such assessment are intended to be used to establish future negotiating guidelines. In contrast, the assessment has been satisfactorily conducted for some developed countries.

The definition of the "presence of natural persons" in the GATS has important implication for a labour-surplus country like Nigeria. The presence of natural persons is interpreted as the admission of foreign nationals to another country to provide services there, in terms of commercial presence (employment of foreign managers/specialists) or individual service providers but does not cover seeking employment, citizenship, residence or employment requirements in another country. Apart from this, members may still regulate the entry and stay of natural persons by requiring visas.

Problems impinging on the successful implementation of Nigeria's commitments in the GATS have earlier been identified to include inadequate regulatory and institutional capacities, jurisdictional problems, and unmet expectation arising from unfulfilled technical assistance promises by developed countries. These implementation problems need to be resolved before the commencement of new negotiations. However, some of these issues, for instance those related to technical assistance, cannot be immediately resolved. At best, the mechanisms that will ensure appropriate channelling of technical assistance in required volume and spread would be put in place before the start of new negotiations. The extent to which Nigeria will accept further liberalization will however depend on the certainty of the timing and availability of technical assistance to enhance effective participation and implementation in the GATS. This is because those problems that are localized, in the sense that they emanate from the interaction of Nigerian governments, businesses and consumers, are also related to the existing capacity in the country. Providing technical assistance in the form of research and training, infrastructure, and technical advice will alleviate and consequently remove such localized implementation problems.

In the next round of negotiation of the GATS, Nigeria will be interested in an arrangement, under the multilateral framework, that will consider her difficulty in accepting further commitments. Such arrangement can, through special market access considerations, aim to provide special entry conditions especially in strategic government services imports. This arrangement or mechanism, in conjunction with commitments on technical assistance, will facilitate the expansion of Nigeria's negotiating agenda in the next round.

In other words, given the correct environment in terms of reciprocity, Nigeria's level of commitment and implementation will probably improve. The reason that Nigeria may accept further liberalization in the next negotiation is not limited to special market access consideration and technical assistance, however. The extent of current autonomous liberalization in the financial and telecommunications sectors particularly makes them natural candidates for further liberalization. The social services sector, especially those concerning water and electricity services, is an area where it is highly probable that Nigeria will accept to liberalize in the next round of negotiations. Apart from the need to boost performance in the sector, domestic policy towards the sector is generally becoming more pro-competition. Government aspiration to internally liberalize the sector can be supported by further GATS commitments especially to lock-in autonomous efforts in the sector.

While Nigeria is expected to make extensive concessions in these identified areas, developed countries will also be expected to move away from their "standstill commitments" and increase their commitment in those areas of export interest to Nigeria. Nigeria is a labour surplus country and would wish to export the services of both her skilled and unskilled labour. In this sense, increased liberalization commitments in business, and recreational, cultural and sporting service sectors by other countries will be favourable to Nigeria. The current level of commitments in services activities show that majority of DCs (at least 80%) liberalized business, and recreational, cultural and sporting services on the aggregate. Few DCs, however, liberalized the movement of natural persons in the real sense, constraining the movement of natural persons through quotas, economic needs tests, and government institutions which are given broad discretionary powers to limit the entry and stay of foreign natural persons to supply services. These limitations apply to all services sectors since they are contained in the horizontal section of their national schedule of services commitment. The existing imbalance in benefits accruing to Nigeria and other developing countries relative to developed countries will be reduced if DCs accept further liberalization in the area of movement of natural persons from developing and labour surplus countries like Nigeria.

V. Summary and Conclusion

The general influence of GATS on the Nigerian economy has been the focus of this paper. The GATS has created the opportunity for trading countries to recognize the rising profile of the services sector in economic growth. This opportunity arose from the need to articulate and understand the size, structure and role of the services sector relative to agricultural and manufacturing, especially the contribution of services to these other sectors. Services provide complementary consumption; generate auxiliary outputs as inputs for the other sectors; and generally create more employment than any of the other sectors producing tangible goods.

Despite these identified roles, services markets are highly regulated in most countries, leading to a distorted market condition where consumers’ choices are additionally constrained by inappropriate and misapplied government interventionist policies. Services market liberalization whether through unilateral, regional or multilateral efforts, thus has the capacity to encourage improvement in quality and product as well as process innovation, engender technological development, promote efficiency and competitiveness, broaden consumer choices and lower prices.

The paper identified about ten services components in Nigeria’s services sectors namely utilities, building and construction, transport, communication, wholesale and retailing business, hotel and restaurant, financial services, real estate, housing, and repairs and other services. Out of these, the utilities, financial, and communication sectors suffer the most from government intervention until the late 1980s when a general liberalization/privatization policy began to emerge and change their market structure. In most cases, except for wholesale and retail business, housing and repairs, pre- and post-deregulation performance was poor.

One important feature of Nigeria's services trade, which constrained the depth of analysis in this paper, is the inadequate dis-aggregation of data. Despite the aggregation problem, analysis shows that Nigeria's share of services trade in Africa rose unsteadily from the late 1980s to 1998, but indicating greater dynamism than Africa's share of world services trade. Transport, travel and other services trade continued to increase up till 1998, becoming, therefore, more significant in Nigeria's total trade, while the country was persistently in services account deficit for most of 1989–1998.

Key policy reforms were introduced in Nigeria's services sector. A general liberal investment environment was created with the promulgation of the Nigerian Investment Promotion Commission Decree No 16 of 1995 and the Foreign Exchange [Monitoring and Miscellaneous] (FEMMP) Decree No 17 of 1995. The general liberal investment environment is however hampered by the continued existence of many sector-specific laws, bureaucracy, and the restrictive nature of Memoranda of Association of many companies listed for privatization. These, and other factors, accounted for the slow pace of deregulation of many services sectors in Nigeria. In the financial sector where deregulation had peen accelerated, inadequate operational, institutional, regulatory and supervisory capacities to deal with the increased level of activities have caused substantial distress conditions despite the desired changed structure.

Sectors in which Nigeria undertook GATS commitments performed badly before and after the period of supposed implementation of the agreement. The slow pace of liberalization, which in turn, was induced by the non-integration of GATS into Nigeria's national laws, has been identified as the culprit for post-GATS dismal sectoral performance. However, the general direction of Nigeria's policies, especially at the beginning of the 21st century, gives an indication of better future integration into the world services trade system. The timely implementation of the Revised ECOWAS Treaty and the EU-ACP economic Partnership Agreements also promises to engender more beneficial liberalization in the future.

Nigeria's pattern of commitments was identified to be similar to those of developed countries in some aspects of the services sectors, while it follows closely those of the developing countries in other aspects. A critical analysis of the pattern of commitments shows that Nigeria's level of commitments is sub-optimal relative to the country's physical and economic endowments. In this respect, Nigeria has lessons to learn from Ghana, while developing countries, as a group, need to understand the reasons why transition countries assumed more commitments than they did.

The extent of the adoption of liberalization in such services sector as value-added telecommunications, financial services, etc., and the right technical assistance environment from developed countries will determine whether Nigeria's current level of commitments will improve in the next round of negotiations. Another determining factor is the appropriate conceptualization of the fourth mode of services supply (i.e. presence of natural persons) in the GATS framework. The current limited perception and the constraints imposed by the developed countries are inimical to Nigeria's export interest, being a labour surplus country, in many areas of the services trade.

Table 1: The contribution of Nigeria's Services Sector to the Economy (%)

SHARE OF GDP AT CURRENT FACTOR COST BY ECONOMIC ACTIVITY

Year	Total services	Electricity	Water	Building and construction	Road transport	Rail transport	Ocean transport	Air transport	NITEL	NIPOST	Radio & TV	Wholesale and retail trade	Hotel and restaurant	Financial institutions	Insurance	Real estate	Professional services	Housing (dwelling)	Private nonprofit institutions	Repairs & other services
1985	29.6	1.6	0.9	7.3	14.3	0.6	1.2	0.9	0.4	0.5	0.5	43.5	2.2	11.8	1.0	0.1	1.0	9.5	0.0	2.8
1986	31.7	1.1	0.9	8.4	13.9	0.6	1.2	0.8	0.4	0.4	0.5	41.5	2.1	13.5	1.0	0.1	1.0	9.7	0.0	2.8
1990	25.0	1.3	0.5	6.8	7.2	0.1	0.4	0.4	0.2	0.2	0.2	55.6	0.9	17.5	0.6	0.1	0.6	6.0	0.0	1.4
1991	23.2	1.2	0.5	6.6	7.1	0.1	0.4	0.3	0.2	0.2	0.3	56.3	0.8	16.9	0.6	0.1	0.6	6.4	0.0	1.4
1992	18.9	0.9	0.4	5.9	7.8	0.0	0.3	0.3	0.2	0.1	0.2	60.6	0.7	14.2	0.5	0.1	0.5	5.8	0.0	1.3
1993	39.9	0.4	0.2	2.9	48.8	0.0	0.2	0.2	0.1	0.1	0.1	36.4	0.4	5.7	0.2	0.0	0.2	3.3	0.0	0.8
1994	27.5	0.5	0.3	4.1	11.9	0.0	0.2	0.3	0.1	0.1	0.1	63.2	0.8	4.9	0.2	0.0	0.3	10.9	0.0	2.1
1995	21.7	0.3	0.2	3.2	11.0	0.0	0.1	0.2	0.1	0.1	0.1	65.6	0.6	4.6	0.2	0.0	0.2	10.9	0.0	2.7
1996	20.0	0.2	0.1	2.9	11.0	0.0	0.1	0.2	0.1	0.0	0.1	65.1	0.6	4.8	0.2	0.0	0.2	11.0	0.0	3.1
1997	21.6	0.2	0.1	3.1	11.4	0.0	0.1	0.2	0.1	0.0	0.1	64.2	0.7	4.9	0.2	0.0	0.2	11.0	0.0	3.4
1998	26.5	0.2	0.1	3.4	12.3	0.0	0.1	0.0	0.0	0.0	0.1	60.7	0.7	4.7	0.1	0.0	0.2	13.4	0.0	3.9

SHARE OF VALUE ADDED BY ECONOMIC ACTIVITY AT MARKET PRICES

Year	Total services	Electricity	Water	Building and construction	Road transport	Rail transport	Ocean transport	Air transport	NITEL	NIPOST	Radio & TV	Wholesale and retail trade	Hotel and restaurant	Financial institutions	Insurance	Real estate	Professional services	Housing (dwelling)	Private nonprofit institutions	Repairs & other services
1985	29.0	1.6	0.9	7.3	14.7	0.2	1.0	0.6	0.4	0.5	0.5	43.8	2.3	11.9	1.0	0.1	1.0	9.5	0.0	2.8
1986	30.9	1.0	1.0	8.5	14.3	0.2	1.0	0.4	0.4	0.4	0.0	42.1	2.2	13.7	1.0	0.1	1.0	9.8	0.0	2.9
1990	24.6	1.3	0.5	6.8	7.4	0.0	0.4	0.2	0.2	0.1	0.1	55.9	0.9	17.6	0.6	0.0	0.6	6.0	0.0	1.4
1991	22.8	1.2	0.5	6.6	7.2	0.0	0.4	0.1	0.2	0.1	0.1	56.6	0.8	17.0	0.6	0.1	0.6	6.4	0.0	1.4
1992	18.7	0.9	0.4	6.0	7.9	0.0	0.3	0.3	0.2	0.1	0.2	60.7	0.7	14.3	0.5	0.1	0.5	5.8	0.0	1.3
1993	22.1	0.6	0.4	5.2	8.8	0.0	0.3	0.3	0.1	0.1	0.1	65.1	0.8	10.2	0.0	0.0	0.4	6.0	0.0	1.4
1994	27.4	0.5	0.2	4.1	11.9	0.0	0.2	0.3	0.1	0.1	0.1	63.3	0.8	4.9	0.2	0.0	0.3	11.0	0.0	2.1
1995	21.5	0.3	0.1	3.2	11.0	0.0	0.1	0.2	0.1	0.1	0.1	65.3	0.6	4.9	0.2	0.0	0.3	10.9	0.0	2.7
1996	20.5	0.5	0.2	2.8	10.5	0.0	0.1	0.2	0.1	0.1	0.1	65.0	0.7	5.3	0.2	0.1	0.7	10.5	0.0	2.9
1997	21.5	0.5	0.1	0.3	11.1	0.0	0.1	0.5	0.1	0.1	0.1	65.7	0.8	5.6	0.2	0.2	0.7	10.7	0.0	3.3
1998	12.3	0.9	0.3	7.2	25.6	0.0	0.2	0.9	0.2	0.1	0.2	13.3	1.6	11.5	0.4	0.3	1.4	27.8	0.1	8.0

Source: Computed from Federal Office of Statistics, Abuja, National Accounts, 1998.

Table 2: Growth of Services in the Economy (1985=1)

TREND OF SHARE OF GDP AT CURRENT FACTOR COST BY ECONOMIC ACTIVITY

Year	Total services	Electricity	Water	Building and construction	Road Transport	Rail transport	Ocean transport	Air transport	NITEL	NIPOST	Radio & TV	Wholesale and retail trade	Hotel and restaurant	Financial institution s	Insurance	Real estate	Profession al services	Housing (dwelling)	Private Nonprofit institutions	Repairs & other services
1985	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
1986	1.1	0.7	1.1	1.2	1.0	1.0	1.0	0.9	1.0	0.9	1.0	1.0	1.0	1.1	1.0	0.9	1.0	1.0	1.2	1.0
1990	0.8	0.8	0.6	0.9	0.5	0.2	0.4	0.4	0.5	0.4	0.5	1.3	0.4	1.5	0.6	0.5	0.6	0.6	0.6	0.5
1991	0.8	0.8	0.6	0.9	0.5	0.1	0.4	0.4	0.5	0.3	0.5	1.3	0.4	1.4	0.6	0.5	0.6	0.7	0.8	0.5
1992	0.6	0.6	0.5	0.8	0.5	0.1	0.3	0.4	0.4	0.3	0.4	1.4	0.3	1.2	0.5	0.5	0.5	0.6	0.6	0.5
1993	1.3	0.2	0.2	0.4	3.4	0.0	0.1	0.2	0.2	0.2	0.2	0.8	0.2	0.5	0.2	0.2	0.2	0.4	0.3	0.3
1994	0.9	0.3	0.3	0.6	0.8	0.0	0.1	0.3	0.2	0.2	0.2	1.5	0.4	0.4	0.2	0.3	0.4	1.2	0.7	0.8
1995	0.7	0.2	0.2	0.4	0.8	0.0	0.1	0.2	0.2	0.1	0.1	1.5	0.3	0.4	0.2	0.2	0.2	1.1	0.8	1.0
1996	0.7	0.1	0.2	0.4	0.8	0.0	0.1	0.2	0.2	0.1	0.1	1.5	0.3	0.4	0.2	0.2	0.3	1.2	0.9	1.1
1997	0.7	0.1	0.1	0.4	0.8	0.0	0.1	0.2	0.2	0.1	0.1	1.5	0.3	0.4	0.2	0.2	0.3	1.2	1.0	1.2
1998	0.9	0.1	0.1	0.5	0.9	0.0	0.1	0.0	0.0	0.1	0.1	1.4	0.3	0.4	0.2	0.1	0.3	1.4	1.0	1.4

TREND OF SHARE OF VALUE ADDED BY ECONOMIC ACTIVITY AT MARKET PRICES

Year	Total services	Electricity	Water	Building and construction	Road Transport	Rail transport	Ocean transport	Air transport	NITEL	NIPOST	Radio & TV	Wholesale and retail trade	Hotel and restaurant	Financial institutions	Insurance	Real estate	Profession al services	Housing (dwelling)	Private Nonprofit institutions	Repairs & other services
1985	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
1986	1.1	0.7	1.1	1.17	0.97	1.1	1	0.7	1	0.9	0.07	1	1	1.1	1	0.9	1	1	1	1
1990	0.8	0.8	0.6	0.93	0.5	0.1	0.4	0.4	0.5	0.3	0.2	1.3	0	1.5	0.6	0.3	0.6	0.6	0	0.5
1991	0.8	0.8	0.6	0.91	0.49	0.1	0.4	0.2	0.5	0.2	0.21	1.3	0	1.4	0.6	0.7	0.6	0.7	0	0.5
1992	0.6	0.6	0.5	0.82	0.54	0	0.3	0.5	0.4	0.3	0.33	1.4	0	1.2	0.5	0.7	0.5	0.6	0	0.5
1993	0.8	0.4	0.4	0.71	0.6	0.1	0.3	0.5	0.3	0.3	0.28	1.5	0	0.9	0	0.6	0.4	0.6	0	0.5
1994	0.9	0.3	0.2	0.57	0.81	0	0.2	0.4	0.2	0.2	0.18	1.4	0	0.4	0.2	0.4	0.3	1.1	1	0.8
1995	0.7	0.2	0.2	0.44	0.75	0	0.1	0.4	0.2	0.1	0.12	1.5	0	0.4	0.2	0.3	0.3	1.1	1	1
1996	0.7	0.3	0.2	0.39	0.71	0	0.1	0.4	0.2	0.2	0.15	1.5	0	0.4	0.2	1.3	0.7	1.1	1	1
1997	0.7	0.3	0.2	0.04	0.75	0	0.1	0.8	0.3	0.2	0.17	1.5	0	0.5	0.2	2	0.7	1.1	1	1.2
1998	0.4	0.6	0.3	0.99	1.74	0	0.2	1.6	0.5	0.3	0.34	0.3	1	1	0.4	3.9	1.4	2.9	2	2.9

Source: Computed from Federal Office of Statistics, Abuja, National Accounts, 1998.

Table 3: Total Assets of Financia Institutions In Nigeria (US$Mn)

Year	Commercial Banks	Merchant Banks	Insurance Firms	Primary Mortgage Inst.	Discount Houses	Community Banks	Finance Houses

1986	19637.1	4179.6	1231.3	0.0	0.0	0.0	0.0
1990	10321.0	3411.4	1002.8	0.0	0.0	0.0	0.0
1991	11858.5	3829.2	940.8	0.0	0.0	0.0	0.0
1992	9202.6	2921.8	604.5	129.7	0.0	56.7	141.4
1993	10256.3	3149.9	623.1	163.7	0.0	147.5	607.0
1994	13480.4	2853.2	529.1	140.3	0.0	220.6	532.8
1995	5692.3	1181.1	227.8	43.6	50.7	61.9	166.5
1996	5646.3	1369.4	211.0	540.1	145.0	56.1	110.0
1997	7157.1	1118.7	293.3	74.5	85.4	59.2	147.7
1998	8288.3	1510.8	4385.0	78.7	93.7	77.9	98.0

TREND

Year	**Commercial Banks**	**Merchant Banks**	**Insurance Firms**	**Primary Mortgage Inst.**	**Discount Houses**	**Community Banks**	**Finance Houses**
	1986=1	1986=1	1986=1	1992=1	1995=1	1992=1	1992=1
1986	1.0	1.0	1.0	0.0	0.0	0.0	0.0
1990	0.5	0.8	0.8	0.0	0.0	0.0	0.0
1991	0.6	0.9	0.8	0.0	0.0	0.0	0.0
1992	0.5	0.7	0.5	1.0	0.0	1.0	1.0
1993	0.5	0.8	0.5	1.3	0.0	2.6	4.3
1994	0.7	0.7	0.4	1.1	0.0	3.9	3.8
1995	0.3	0.3	0.2	0.3	1.0	1.1	1.2
1996	0.3	0.3	0.2	4.2	2.9	1.0	0.8
1997	0.4	0.3	0.2	0.6	1.7	1.0	1.0
1998	0.4	0.4	3.6	0.6	1.8	1.4	0.7

Source: Computed from Central Bank of Nigeria, Abuja, Statistical Bulletin 1998

Table 4: Number of Operating Firms

Year	Community banks	Peoples bank	Finance Houses	Primary Mortgage Institutions	Discount Houses	Merchant Banks	Commercial Banks	All Insurance firms
1986						12	29	88
1990	-	169				49	58	103
1991	66	221		23		54	65	107

1992	401	228	618	145		54	65	121
1993	879	271	310	252	3	53	66	125
1994	970	275	290	279	4	51	65	136
1995	1355	275	279	280	4	51	64	145
1996	1368	278	279	186	5	51	64	134
1997	1015	278	270	115	5	51	64	135
1998	1015	278	279	194	5	38	51	135

TREND

Year	Community Banks 1991=1	Peoples Bank 1990=1	Finance Houses 1992=1	Primary Mortgage Institutions 1991=1	Discount Houses 1993=1	Merchant Banks 1986=1	Commercial Banks 1986=1	All Insurance firms 1986=1
1986						1	1	1
1990		1.0				4.1	2.0	1.2
1991	1.0	1.3		1.0		4.5	2.2	1.2
1992	6.1	1.3	1.0	6.3		4.5	2.2	1.4
1993	13.3	1.6	0.5	11.0	1.0	4.4	2.3	1.4
1994	14.7	1.6	0.5	12.1	1.3	4.3	2.2	1.5
1995	20.5	1.6	0.5	12.2	1.3	4.3	2.2	1.6
1996	20.7	1.6	0.5	8.1	1.7	4.3	2.2	1.5
1997	15.4	1.6	0.4	5.0	1.7	4.3	2.2	1.5
1998	15.4	1.6	0.5	8.4	1.7	3.2	1.8	1.5

Source: Computed from Central Bank of Nigeria, Abuja, Statistical Bulletin 1998

Table 5: Market Conditions of Services in Nigeria

Service Activity	Market Structure		Nationality Requirement		Other Requirements, if any
	Type	Entry and Exit Condition	Equity Participation Restriction	Expatriate Quota	
1. BUSINESS SERVICES					
A. Professional Services	O	ER/FX	None	Yes	Educ./Prof./Assoc. Qualification
B. Computer and Related Services	O	ER/FX	None	Yes	Educ./Prof./Assoc. Qualification
C. Research and Development	N.A	N.A	N.A	N.A	Educ./Prof./Assoc. Qualification
D. Real estate services	O	ER/FX	None	Yes	Educ./Prof./Assoc. Qualification
E. Rental/Leasing without operators	O	ER/FX	None	Yes	Registration with approp. Authority
F. Other business service					
2. COMMUNICATION SERVICES					
A. Postal Services	M	ER			N.A
B. Courier Services	O	ER/FX	None	Yes	NIPOST Registration
C. Telecommunication services	O	ER/FX	None	Yes	NCC Registration
D. Audiovisual services	O	ER/FX	None	Yes	Nigeria Broadcating Commission Registration
E. Other	N.A	N.A	N.A	N.A	N.A
3. CONSTRUCTION AND RELATED ENGINEERING SERVICES					
A. General construction work for buildings	O	FE/FX	None	Yes	Corporate Affairs Comm. Regist.
B. General construction work for civil engineering	O	FE/FX	None	Yes	Corporate Affairs Comm. Regist.
C. Installation and assembly work	O	FE/FX	None	Yes	Corporate Affairs Comm. Regist.
D. Building Completion and finishing work	O	FE/FX	None	Yes	Corporate Affairs Comm. Regist.
E. Other	N.A	N.A	N.A	N.A	N.A
4. DISTRIBUTION SERVICES					
A. Commission agents services	O	ER/FX	None	Yes	Corporate Affairs Comm. Regist.
B. Wholesale trade services	QPC	FE/FX	None	Yes	Corporate Affairs Comm. Regist.
C. Retailing services	QPC	FE/FX	None	Yes	Corporate Affairs Comm. Regist.
D. Franchising	O	ER/FX	None	Yes	Corporate Affairs Comm. Regist.
E. Other	N.A	N.A	N.A	N.A	N.A
5. EDUCATIONAL SERVICES					
A. Primary education services	O	ER/FX	None	Yes	Ministry of Education Approval
B. Secondary education services	O	ER/FX	None	Yes	Ministry of Education Approval
C. Higher education services	O	ER/FX	None	Yes	Ministry of Education Approval
D. Adult education	M	ER	N.A	N.A	N.A
E. Other education services	N.A	N.A	N.A	N.A	N.A
6. ENVIRONMENTAL SERVICES					
A. Sewage services	O	FE/FX	None	Yes	Corporate Affairs Comm. Regist
B. Refuse disposal services	O	FE/FX	None	Yes	Corporate Affairs Comm. Regist
C. Sanitation and similar services	O	FE/FX	None	Yes	Corporate Affairs Comm. Regist
D. Other	N.A	N.A	N.A	N.A	
7. FINANCIAL SERVICES					
A. All insurance and insurance-related services	O	ER/XR	None	Yes	NICON Registration Corporate Affairs Comm. Regist
B. Banking and other financial services (excl. insurance)	O	ER/XR	None	Yes	CBN Registration Corporate Affairs Comm. Regist
C. Other	N.A	N.A	N.A	N.A	N.A
8. HEALTH RELATED AND SOCIAL SERVICES (other than those listed under Professional services)					
A. Hospital services	O	ER/FX	None	Yes	Ministry of Health Registration Nigerian Medical Association
B. Other human health services	O	ER/FX	None	Yes	Ministry of Health Approval

C. Social Services	O	ER/FX	None	Yes	Ministry of Health Approval NAFDAC/NEPA etc.
9. TOURISM AND TRAVEL RELATED SERVICES					
A. Hotel and restaurants (incl. catering)	QPC	FE/FX	None	Yes	Tourist Boards Approval
B. Travel agencies and tour operators services	O	FE/FX	None	Yes	Tourist Boards Approval/ Airlines Approval
C. Tourist guide services	O	FE/FX	None	Yes	Tourist Boards Approval
D. Other	N.A	N.A	N.A	N.A	N.A
10. RECREATIONAL, CULTURAL AND SPORTING SERVICES					
A. Entertainment services (other than audiovisual)	QPC	FE/FX	None	Yes	Ministry of Sports and Culture Registration/Prof. Association
B. News agency services	O	ER/FX	None	Yes	NCC Approval
C. Libraries, archives, museums and other cultural	M	ER	N.A	N.A	Ministry of Sports and Culture Registration
D. Sporting and other recreational services	QPC	FE/FX	None	Yes	Ministry of Sports and Culture Registration
E. Other	N.A	N.A	N.A	N.A	N.A
11. TRANSPORT SERVICES					
A. Maritime transport services	O	ER/FX	None	Yes	Nigerian Maritime Authority/ Nigeria Shippers Council
B. Internal waterways transport	O	ER/FX	None	Yes	Nigerian Maritime Authority/ Nigeria Shippers Council
C. Air transport services	O	ER/FX	None	Yes	Federal Civil Aviation Authority of Nigeria
D. Space transport	N.A	N.A	N.A	N.A	N.A
E. Rail transport	M	ER	N.A	N.A	N.A
F. Road transport services	QPC	FE/FX	None	Yes	Licensing Offices Registration
G. Pipeline transport	M	ER			N.A
H. Services auxiliary to all modes of transport	N.A	N.A	N.A	N.A	
I. Other transport services	N.A	N.A	N.A	N.A	N.A

Source: Derived from the Review of Nigeria's Regulations.

NOTE:

ER = Entry Restricted; FX = Free Exit; XR =Exit Restricted;

O = Oligopoly; M = Monopoly; QPC = Quasi-perfect competition.

Table 6: Share of Nigeria's Services Trade

YEAR	africa in total world svcs. Trade	NIGERIA in Africa svcs trade	NIGERIA in Africa curr account	transpoort in tot svs	passenger in trans svc	freight in trans	other trans in transp	travel in tot svcs	govt svcs in svcs	other svcs in tot svcs
1989	4.6	5.6	7.9	30.9	20.8	73.8	5.2	21.9	2.6	47.2
1990	4.6	7.2	10.2	23.0	5.8	82.8	11.5	20.4	2.6	56.5
1991	4.4	8.1	11.3	35.4	5.3	88.2	6.4	26.3	1.9	38.3
1992	4.2	6.8	10.1	37.5	8.6	81.9	9.6	13.2	2.5	46.8
1993	4.3	9.0	10.3	27.1	9.7	78.2	12.2	8.5	1.2	63.3
1994	4.0	7.8	9.2	23.8	4.8	87.7	7.3	25.7	0.7	49.7
1995	4.1	10.2	9.9	20.8	5.7	85.6	8.7	17.7	4.2	57.3
1996	4.1	10.4	10.4	9.5	7.0	82.8	10.4	24.1	5.1	61.2
1997	4.0	10.3	11.0	15.2	6.2	84.9	8.9	34.0	0.3	50.5
1998	3.9	9.6	9.0	16.2	6.9	82.9	10.3	32.0	2.2	49.6

Source: Computed from International Monetary Fund, Balance of Payment statistics Yearbok, 1995 and 1999.

Table 7: Value of Nigeria's services Trade (US$million)

YEAR	Current account		Services		Transportation		Passnger services		Fright services		Other transportation		Travel		Govt Services		Other services	
	Net	Total	net	total	net	total	net	total	net	total	net	total	net	total	net	total	net	total
1989	1090	16376	-823	1927	-563	595	-122	124	-417	439	-25	31	56	6	-50	50	152	910
1990	4989	24869	-1011	2941	-602	676	-29	39	-510	560	-64	78	142	14	-75	75	143	1663
1991	1203	27253	-1562	3334	-979	1179	-25	63	-922	1040	-32	76	108	44	-62	62	216	1278
1992	2267	25365	-757	2863	-767	1075	-48	92	-668	880	-51	103	154	52	-71	71	401	1339
1993	-780	24754	-1563	3889	-653	1053	-10	102	-625	823	-18	128	146	110	-45	45	-600	2460
1994	-2128	22984	-2636	3378	-703	805	-9	39	-678	706	-17	59	76	42	-25	25	-1059	1679
1995	-2579	29071	-4011	5227	-887	1087	-2	62	-882	930	-3	95	98	92	-221	221	-2014	2996
1996	3507	32315	-4094	5560	-378	530	9	37	-405	439	19	55	36	74	-286	286	-2162	3404
1997	551	35793	-3926	5498	-653	835	4	52	-657	709	0	74	74	74	-17	17	-1494	2776
1998	-4244	27768	-3282	5050	-591	817	12	56	-621	677	18	84	66	102	-112	112	-1059	2505

Source: Computed from International Monetary Fund, Balance of Payment statistics Yearbook, 1995 and 1999.

Table 8: Relative Country Performance by Number of Service Commitments (selected countries)

Developing Countries						Sub-Sahara Africa					
Countries	**No of service Activities**	**Ranking**	**Countries**	**No of service Activities**	**Ranking**	**Countries**	**No of Service Activities**	**Ranking**	**Countries**	**No of Service activities**	**Ranking**
Argentina	57	8	Philippines	45	12	Algeria	1	22	Senegal	22	5
Brazil	43	16	Romania	45	12	Benin	13	12	Egypt	28	4
Chile	31	24	Egypt	28	26	Burkina Faso	2	19	Gabon	14	11
Colombia	42	17	Ghana	32	22	Cameroon	3	17	Ghana	32	2
Cuba	33	20	Hong Kong	61	7	Congo	4	16	Kenya	22	5
Dominican Republic	68	5	India	33	20	Cote d'Ivoire	15	9	Swaziland	9	14
Kuwait	44	15	Israel	49	11	Madagascar	2	19	Tanzania	1	22
Malaysia	69	4	Jamaica	32	22	Mauritius	11	13	Uganda	2	19
Mexico	68	5	Korea, Rep	80	1	Morocco	41	1	Zambia	15	9
Morocco	41	18	Singapore	55	9	Mozambique	17	8	Zimbabwe	20	7
Nicaragua	45	12	Thailand	71	3	Namibia	3	17			
Nigeria	29	25	Turkey	72	2	Niger	5	15			
Pakistan	35	19	Venezuela	52	10	Nigeria	29	3			

Source: GATT, 1994

Table 9: Range of countries with GATS Commitments

Table 10: Commitments within Nigeria's scheduled service sectors by Number of Countries

	DC	LDC	Transition Countries	DC	LDC	Transition Countries
Maximum GATS participants	**25**	**76**	**5**	**100**	**100**	**100**
Services sector	Range of countries committed	Range of countries committed	Range of countries committed	**Maximum Proportion of countries Committed (%)**		
Business	22-25	3-38	0-4	100	50	80
Communication	0-25	3-22	0-5	100	29	100
Construction	20-24	13-21	2-3	96	28	60
Distribution	22-25	2-8	2-4	100	11	80
Education	18-19	1-5	4	76	7	80
Environment	23-24	5-7	2-3	96	9	60
Financial	25	37-47	4	100	62	80
Health	2-14	1-14	1	56	8	20
Tourism & Travel	23-25	13-68	2-4	10	89	80
Recreationa, Cultural, sporting	4-22	0-16	0-1	88	21	20
Transport	2-25	0-26	0-3	100	34	60

Source: Derived from GATT, 1994

COMMUNICATION SERVICES	**DC**	**LDC**	**TC**	**FINANCIAL SERVICES**	**DC**	**LDC**	**TC**	**FINANCIAL SERVICES**	**DC**	**LDC**	**TC**
A. Postal Services	0	3	0	A. All insurance and insurance-related services				g. Participation of issues of all kinds of securities	23	27	4
B. Courier Services	4	15	3	a. Life, accident and health insurance services	24	38	4	h. Money broking	24	13	0
C. Telecommunication services				b. Non-life insurance services	25	37	4	i. Asset management	23	23	2
a. Voice telephone services	0	10	0	c. Re-insurance and retrocession	25	41	4	j. Settlement and clearing services for financial assets incl. Securities, derivative products, and other negotiable instruments	23	13	3
b. Packet-switched data transmission services	2	9	0	d. Services auxiliary to insurance (incl. Broking and agency services)	24	36	4	k. Advisory and other auxiliary financial services	23	28	2
c. Circuit-switched data transmission services	2	10	0	B. Banking and other financial services (excl. insurance)				l. Provision and transfer of financial information, and financial data processing and related software by providers of other financial services	23	20	2
d. Telex services	1	6	0	a. Acceptance of deposits and other payable funds from the public	24	35	4	C. Other	1	10	0
e. Telegraph services	0	6	0	b. Lending of all types, incl. Inter alia, consumer credit, mortgage credit, factoring and financing of commercial transaction	23	35	4	**TOURISM AND TRAVEL RELATED SERVICES**			

f. Facsimile services	1	8	2	c. Financial leasing	24	22	2	A. Hotel and restaurants (incl. catering)	25	69	4
g. Private leased circuit services	1	7	0	d. All payment and money transmission services	24	25	3	B. Travel agencies and tour operators services	25	53	4
h. Electronic mail	25	19	4	e. Guarantees and commitments	23	24	4	C. Tourist guide services	24	24	2
i. Voice mail	25	17	4	f. Trading for own account or for account of customers, whether or an exchange, in an over the counter market or otherwise the following:				D. Other	1	12	0
j. On-line information and data base retrieval	25	21	4	f1. Money market instrument	23	21	3	**TRANSPORT SERVICES**			
k. Electronic data interchange (EDI)	25	14	4	F2. Foreign exchange	24	23	3	A. Maritime transport services			
l. Enhanced/value added facsimile services, incl. Store and forward, store and retrieve	9	16	4	F3. Derivative products incl., but not limited to, futures and options	24	11	1	b. Freight transportation	3	22	0
m. Code and protocol conversion	25	12	4	F4. Exchange rate and interest rate instruments, incl. Products such as swaps, forward rate agreements, etc.	23	15	3	c. Rental of vessels with their crew	13	0	2
n. On-line information and/or data processing (incl. Transaction processing)	9	16	4	F5. Transferable securities	22	20	3	d. Maintenance and repair of vessels	1	0	3
o. Other	4	15	2	F6. Other negotiable instruments and financial assets incl. Bullion	24	15	0	E. Rail transport			
								d. Maintenance and repair of rail transport equipment	19	4	3

Source: Extracted from GATT, 1994

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