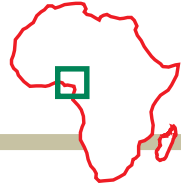




Nigeria



With 110 million people, Nigeria is Africa's most populous nation. Its economy is second in size only to South Africa's. It is the continent's major oil producer and the fifth largest supplier of crude to the United States. Under its new rulers there are concerted efforts to have Nigeria's riches trickle down to the broader population and rectify the inequities of past dictatorships. The country offers investors a low-cost labor pool, abundant natural resources, and by far the largest domestic market on the continent. Nigeria's return to democracy in 1999 reopened one of Africa's major markets for overseas business and American, European and Asian investors have not been slow in taking advantage. If the new government is able to overcome years of mismanagement and redirect the country's energies by good governance, the rewards will indeed be impressive.

Country profile

Nigeria is the largest of several West African countries on the Gulf of Guinea. The Niger and Benue rivers flow through a Y-shaped delta into the Gulf of Guinea. The Hausa-Fulani, mostly Muslim, dominate in the north while the Ibo are in the majority in the southwestern part of the country. Major cities, apart from Lagos with a population

of 9 million, are Abuja (the capital), Kano, Port Harcourt, and Kaduna. About 50% of Nigeria's population is Muslim, 40% Christian and the rest adhere to ethnic religions.

History

Old kingdoms were flourishing when Portuguese mariners first visited the shores of Nigeria in 1472. In 1914 they were united in one British colony and on 1 October 1960 Nigeria gained its independence. The 40 years since were marred by a series of coups and a major civil war. The Biafra War broke out in May 1967 when the Ibo-controlled Eastern Regional legislature proclaimed an "independent" republic and took up arms to defend itself. Hundreds of thousands of people were killed in a struggle which, despite support from some African and Western countries, ended in defeat for Biafra in January 1970. Following an-



Fast facts

POLITICAL

Head of State	Pres. Matthew Olusegun Fajinmi Aremu Obasanjo (1999)
Ruling Party	PDP
Main Opposition	APP
Independence	1 October 1960
National capital	Abuja
Official language	English

PHYSICAL

Total area	356,557 sq. miles 923,768sq. km. (2 x California)
Arable land	36% of land area
Coastline	530 miles/853 km

POPULATION

Total	113.8 million
Av. yearly growth	2.8%
Population/sq. mile	480
Urban population	40%
Adult literacy	61%

ECONOMY¹

Currency	Naira (N) (US\$1=111.80)
GDP (real)	\$30.9 billion
GDP growth rate	1.0%
GNP per capita ²	\$300
GDP (ppp) ³	\$106.2 billion
GDP per cap. (ppp) ³	\$960
Inflation rate	15%
Exports	\$12.8 billion
Imports	\$14.8 billion
Development aid	\$212 million
External debt	\$31.6 billion
Unemployment	28%

INFRASTRUCTURE

Railroads	2,212 miles/3,560 km
Paved roads	28%
Motor vehicles	250,000
Air passenger/km	1 billion
Telephones/1,000	3
International airports	Lagos and Abuja
Main harbors	Lagos, Port Harcourt

1. Statistics are based on World Bank data.
2. Atlas method.
3. See page 151 for an explanation of GDP based on purchasing power parity (ppp).

other abortive attempt at installing a democratically-elected government in 1993, General Sani Abacha took charge. In 1995 the execution by the Abacha regime of nine political prisoners, including the renowned writer Ken Saro-Wiwa, led to Nigeria's temporary suspension from the Commonwealth and the imposition of sanctions. Following Abacha's death in 1998, four separate elections culminated in the establishment of local, state and federal governments and the swearing in of Olusegun Obasanjo as president in May 1999.

Government

The 1999 constitution introduced a western decentralized form of government. The President is elected by popular vote for a maximum of two 4-year terms and appoints the cabinet or Federal Executive Council. On a federal basis a 109-member Senate and a 360-seat House of Representatives are elected to serve for 4 year terms. Each of the country's 36 states elects its own legislature and a governor. President Obasanjo's People's Democratic Party (PDP) won the presidential race against Samuel Falae, supported by the Alliance for Democracy and the All People's Party (AD/APP). The PDP captured 206 of the House seats and 59 Senate seats against the APP's 74 and 29, and the AD's 68 and 20, respectively.

Economic policy

The new government introduced key measures to improve the country's economy and make it more investor-friendly. Concerted efforts have been made to root out corruption, improve the dilapidated infrastructure, privatize state-run industries and promote export-led growth. With oil prices likely to remain high in the foreseeable future, Nigeria should have the means to solve some of the vexing problems inherited from years of mismanagement. After Nigeria's return to democratic rule in 1999, the US and other major industrial nations rapidly reinvigorated relations that had chilled during the Abacha era. OPIC and Eximbank resumed financing of investment in and trade with Nigeria.

Privatization

In 1999 the National Council on Privatization (NCP) announced a three-phase plan to privatize most of Nigeria's state-owned companies. First, 13 banks, cement companies and oil marketing companies, already listed on the Nigerian Stock Exchange, will be sold off. In the second phase, all the state's interest in hotels, automotive plants

and similar industries will be sold. In the third stage, likely to occur in 2002, the Nigeria Electric Production Authority (NEPA), Nigeria Telecommunications Limited (NITEL), oil refineries, and the state-owned National Fertilizer Company of Nigeria (NAFCON) will be privatized. The state's most lucrative asset, Nigerian National Petroleum Company (NNPC), is likely to be on the auction block as well.

Sectors

Some 70 percent of the population is engaged in agriculture. In the south, rubber trees, oil palm and cocoa are cultivated for export and in the north groundnuts, cotton and cattle. Currently the agricultural sector accounts for 40 percent of the GDP. Nigeria has, however, slipped in recent years from being a net exporter to becoming a major importer of agricultural products. Petroleum continues to power the Nigerian economy, accounting for almost all of the country's foreign exchange earnings. Manufacturing consists mostly of import-substituting products. Other activities include iron and steel and fertilizer production, automobile assembly and oil refining.

Trading

Nigeria is currently the fifth largest importer of US wheat. In 1998, its oil export revenues accounted for 95 percent of total exports with the US purchasing 49 percent of the total. In 1998 the US recorded a trade deficit of \$5.7 billion with Nigeria even though exports, led by oil equipment and wheat, showed a modest 9% increase. Still, in 1998/99 Nigeria was the sixth largest world market for wheat and accounted for 70% of all US shipments to Sub-Saharan Africa. Other substantial American exports to Nigeria included computers and software, medical equipment, automotive parts, cosmetics, textiles and fabrics. In 1998 Nigeria was the fifth largest supplier of crude to the US (behind Saudi Arabia, Canada, Venezuela and Mexico).

Investment

Since 1999, foreign companies, particularly in the oil and gas sector, have been looking at new or expanded investments in Nigeria. Abundant oil reserves have kept the economy afloat and once again hold the key to the future. Total US foreign direct investment in Nigeria is estimated at around \$4 billion, largely in the petroleum sector. A newly planned Export Processing

Zone (EPZ) at Port Harcourt aims at attracting foreign investments in the manufacturing sector. Incentives have also been approved to encourage investment in downstream oil and gas processing and marketing. The privatization of state-owned properties is expected to diversify and intensify foreign investment.

Financial sector

The Central Bank of Nigeria (CBN) monitors the banking system to ensure compliance with monetary, credit, and foreign exchange guidelines. There are 89 commercial and merchant banks, 67 of them classified as healthy. There are also a number of finance houses and mortgage and community banks throughout the country. Some 200 companies are listed on the Lagos (formerly Nigerian) Stock Exchange, in operation since 1961.

Taxes and tariffs

Nigeria's corporate tax is a flat 30%. In the case of certain small-scale enterprises involved in agricultural production, mining and manufacturing, a rate of 20% applies. Import taxes range from 5% to 60%.

Business activity

AGRICULTURE

Cocoa, peanuts, palm oil, corn, rice, sorghum, millet, cassava (tapioca), yams, rubber, cattle, sheep, goats, pigs, timber, fish.

INDUSTRIES

Crude oil, coal, tin, columbite, palm oil, peanuts, cotton, rubber, wood, hides and skins, textiles, cement and other construction materials, food products, footwear, chemicals, fertilizer, printing, ceramics, steel.

NATURAL RESOURCES

Petroleum, tin, columbite, iron ore, coal, limestone, lead, zinc, natural gas.

EXPORTS

\$12.8 billion (1999 est.): petroleum and petroleum products, cocoa, rubber.

IMPORTS

\$14.8 billion (1999 est.): machinery, chemicals, transportation equipment, manufactured goods, food and animals.

MAJOR TRADING PARTNERS

US, Spain, Italy, France, UK, Germany, Netherlands.

Doing Business with Nigeria

► Investment

The new government in 1999 signaled its intention to make Nigeria investor-friendly and to encourage foreign participation. Its privatization program should present foreign investors with new opportunities in oil exploration, banking, hotels, and automotive parts manufacturing. Plans to install 3 million telephone lines per year will require foreign private sector participation will be required.

► Trade

Oil and gasfield machinery will continue to be prime import items. There is a growing market for computers, cellular phone sets, transmission and switching and other telecommunications equipment. Other prime items include medical supplies, pharmaceuticals, textiles, and wheat and used cars and buses. The demand for earthmoving and roadbuilding machinery will increase as road reconstruction begins.

► Trade finance

In July 1999 Eximbank returned to Nigeria with a \$100 million pilot program, once again making medium-term financing available to US exporters. The Nigerian Export-Import Bank (NEXIM) was established in 1991 to assist banks to provide pre- and post-shipment financing in local currency to support non-oil exports.

► Selling to the government

Nigeria buys products and services through a "tender board" composed of senior government officials, sometimes together with local consultants or foreign firms represented in Nigeria. *The Central Bank of Nigeria (CBN) does not buy products and services for the government or its agencies and purported inquiries and business proposals emanating from the CBN on behalf of the Nigerian government or any of its agencies should be disregarded as scams.*

► Exchange controls

Foreign exchange control applies. All applications must be channeled through selected banks to the Central Bank of Nigeria (CBN).

► Partnerships

Establishment of a joint venture is in itself not sufficient to constitute a legal entity. A foreign firm may, however, participate as a shareholder in a local company incorporated as a joint venture.

► Establishing a presence

Foreign firms are not allowed to operate through a branch office but obliged to establish a place of business and incorporate to conduct business in Nigeria. A local presence can also be established on the basis of equity participation, joint ventures, an arrangement for the provision of technical services to a Nigerian company, or the purchase of securities in existing Nigerian companies. All foreign companies must register with the NIPC to obtain a business permit.

Project financing

Overseas Private Investment Corporation programs are available to US ventures in Nigeria. The US Trade and Development Agency extends funding for feasibility studies. Financing can also be obtained through any of the local commercial, merchant or industrial banks and, to a limited extent, from insurance companies, building and property development companies, pension funds and institutional investors.

► Labor

Nigeria has a large, English-speaking workforce, generally better educated and skilled than elsewhere on the continent. Any nonagricultural firm with more than 50 workers must recognize trade unions and deduct dues for union members. Collective bargaining is common.

► Legal rights

The legal system is fashioned after English Common law. Nigeria is a signatory to the major world agreements on Intellectual Property Protection and a member of the World Intellectual Property Organization. The government's Patents and Design Decree of 1970 and Trademark Act of 1965 regulate the registration of patents and trademarks.

► Business climate

English is widely spoken. Visitors should make their contacts well before departure for Nigeria. *A fraudulent practice that has received wide publicity is known as "419." It involves an offer to transfer large sums of money with promises of commissions after up-front payments are made by the potential victim. While remaining on their guard against such practices, foreign citizens should also be aware that these scams do not represent the Nigerian business community at large. Scam attempts should be reported to the nearest Nigerian embassy.*