NATIONAL OPEN UNIVERSITY OF NIGERIA

MKT 825

International Marketing

Module 3

MKT 825 (International Marketing) Module 3

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Unit 1 International Organisations and International Marketing

1.0 Introduction

The essence of international organisation to international marketing is to facilitate, regulate, and measure or to finance international business. International organisations are mostly regional or worldwide; they may be a source of financing or a source of order for business organisations, and equally a source of jobs. These organisations have some relationship with marketing. It will be myopic of a business organisation to understand only the political, socio-cultural, etc. environment without understanding the international organisations that have impact on international marketing activities. Examples are given of companies who want to merge in the US and may need the approval of EU so that the merger will not have effect in the European market. This unit examines the influence of international organisations on international marketing activities.

2.0 Objectives

At the end of this unit, you should be able to:

- explain the influence of the UN on international business worldwide.
- explain the role of IMF, World Bank and Bank of International Settlement
- explain the contribution of OPEC and African trade organisation.

3.0 Main Content

3.1 International Organisations

It is an association of two or more groups especially counties, with the aim of protecting members' interest in different areas that may include business, culture, and military etc. International organisations include:

- The United Nations
- The World Bank
- International Monetary Funds
- World Trade Organisations
- Organisation of Petroleum Exporting Countries
- African Trade Organisation
- Bank for International Settlement.

3.2 The United Nations

The UN is the most popular and best-known worldwide organisation. After World War II, the UN was formed. It has achieved a lot, and many people have viewed its achievement from both the positive and negative angle. The international organisation has 189 member-countries; it is dedicated to the promotion of peace. It also has many other functions related to business. The UN has different programmes and specialised agencies. It equally has Autonomous organisations and convention secretariats.

The UN carries out its activities through the use of five main organs. They include:

- General Assembly
- Security Council
- Economic and Social Council
- International Court of Justice
- The Secretariat.

The General Assembly
This is a deliberative body of UN made up of all member nations, each with one vote regardless of size, wealth or power.

The Security Council
This is a body of the UN composed of 5 permanent members with veto power and ten chosen (5 each year) for two-year term. There have been agitations for the expansion of the Security Council.

The Secretariat
The secretary General is the head and equally a staff of the UN while the headquarters is in New York City. It is charged with the responsibility of day-to-day administrative function. Ban Kimoon is the current secretary general.

The Economic and Social Council (ECOSOC)
Ball et.al (2002) say the body is concerned with economic problems such as trade, transport, industrialisation, economic development and social issues, such as population, children, housing, women's rights, racial discrimination, illegal drugs, and crime, social welfare, youth, the human environment and food.

The International Court of Justice
The court is established to resolve dispute among sovereign states and not individuals. The issue of Bakassi (between Nigeria and Cameroon) is an example of a case decided by this court.

The question one may ask is- what is the contribution of United Nations to international business? The answer is given by Ball etal (2002) when they observed that UN has contributed to business in the following seven ways:

- When ships sail freely across the seas and through international straits, they are protected by rules legitimised in UN conferences.
- Commercial airlines have the right to fly across borders and to land in case of emergency, due to agreement negotiated by the international civil aviation organisation, which is part of the UN system.

- The world Health organisation sets criteria for pharmaceutical quality and standardises the names of drugs.
- Universal postal union protocols prevent losses and allow mails to move across borders.
- International telecommunication union allotment of frequencies keeps the airwaves from becoming hopelessly clogged and thus avoids interference among radio transmission.
- Data collected and redistributed from member states by the world meteorological organisation makes possible worldwide and country specific weather forecast.
- The UN sales convention and the UN convention on the carriage of goods by sea help to establish rights and obligations for buyers and sellers in international commercial transaction.

Self-Assessment Exercise

What is the contribution of the UN to international marketing?

3.3 The World Bank

The World Bank is the largest source of development assistance. It provides about $16 billion loan to its clients i.e. countries. Most of the credit is given to developing countries. The World Bank is otherwise known as the International Bank for Reconstruction and Development (IBRD). The World Bank consists of:

- The World Bank
- International Finance Corporation (IFC)
- International Development Association (IDA)
- Multinational Investment Guarantee Agency (MIGA)
- International Center for Settlement of Investment Disputes (ICSID)

The World Bank gives out what is called hard-loan which is made payable in hard, convertible currencies at market interest rates with normal market maturities.

The World Bank has the following organisations under it

International Finance Corporation (IFC)
It is the World Bank's group investment banker. It operates in the developing countries with private risk ventures and in creation of local capital markets.

International Development Association (IDA)
It gives out soft loans to developing countries and repayable in soft, convertible currencies, carrying low or no interest obligation. The loans are frequently long term, up to 40 years, and may grant a grace period of up to 10 years during which no payment is required.

The Multilateral Investment Guarantee Agency (MIGA)
This agency attracts foreign investment with about 152 countries that are members. MIGA awards contract, most especially in developing countries. Ball et al 2002 observed that "MIGA, had issued more than 420 contracts to private investors for projects in some 70 developing countries, facilitating more than $30 million in private investment".

International Center for Settlement of Investment Disputes (ICSID)
Just like the international court, ICSID provides facilities for settlement by conciliation or arbitration of investment disputes between foreign investors and their host countries.

World Bank loans therefore have effect on business for the fact that loans are given out, and members of the host countries feel their impact either directly or indirectly.

3.4 International Monetary Fund (IMF)

IMF business is more with government, despite this; it has a tremendous effect on business worldwide. The main objectives of IMF include:

- Order foreign exchange agreements
- Convertible currencies
- Shorter duration and lesser degree of balance of payments disequilibrium.

Before now IMF was charged with the responsibility of fixing a permanents exchange rate among member nations, which was fixed at $35 per ounce of gold.

In the 70s and 80s, there were some fundamental changes in IMF. The major change was to abandon the fixed exchange rate and adopt the floating exchange rate.

The IMF had more power for firm surveillances which permits the IMF to influence or even dictate fiscal and monetary policies of member countries of the economically strong countries allow such instruction. The IMF contributes to policy coordination among the major industrial countries known as G7; the countries include Canada, France, Germany, Italy, Japan the UK and USA.

IMF has conditionality and cooperation with the World Bank. The two organisations work with borrowing member countries in what is called structural adjustment facilities (SAFs) or enhanced structural adjustment facilities (ESAs).

The effect of IMF on international business is equally direct and indirect. The indirect is the policy a country adopts and how it affects their countries business. If a country limits it import and expands its export, it means companies coming to operate in a host country will be limited.

Self-Assessment Exercise

Name fives areas in your country where United Nations impact has been felt.

3.5 The World Trade Organisation

Hearing the name world trade organisation, one will feel that this is an organisation that has more impact on international business just like others. It has its direct and indirect effect on international business.

Ball et al (2002) opined that WTO is a multinational organisation designed to deal with the value of trade between nations. The WTO works with its core agreements, which were negotiated, signed and ratified by the world's most trading nations. The WTO has its headquarters in Geneva Switzerland; it has 140 countries as members.

The WTO has made its impact felt in the area of trade restriction. The general agreement on tariff and trade was born in 1947. The general tariff among member nations was reduced from 40 percent to 5%. Issues of tariff among member nations for instance, and disputes were amicably settled by GATT. Because of this, trade in manufactured goods multiplied up to 20 times.

Here are some of the problems of WHO, namely:

- Regional trade agreements (RTAs) are weakening WTO
- RTAs are destroying trade at the expense of countries that are not party to the agreements
- There has been a lot of protest from member countries
- The question of whether member countries abide by the decisions of GATT is an issue on its own.

Self-Assessment Exercise

Name five countries that are part of WTO.

3.6 The Organisation of Petroleum Exporting Countries (OPEC)

The Organisation of the Petroleum Exporting Countries (OPEC) is a large group of countries made up of Algeria, Angola, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirate, Venezuela and Ecuador (which rejoined OPEC in November 2007). The organisation has maintained its headquarters In Vienna since 1965, hosting regular meetings among the oil ministers of its member states.

The principal aim of OPEC according to its statute is the determination of the best means for safeguarding their interest. The member nations, individually and collectively, devise ways and means of ensuring the stabilisation of prices in international oil markets with a view to eliminating harmful and unnecessary fluctuations, giving due regard at all times to the interests) of the producing nations and to the necessity of securing a steady income to the producing countries. Efficient, economic and regular supply of petroleum to consuming nations and a fair return on their capital to those investing in the petroleum industry is another serious function of OPEC.

OPEC's influence in the market has been called into question: several members of OPEC alarmed the world on triggered high inflation across the developing and developed world when they used oil embargoes in the 1973 oil crisis. OPEC's ability to control the price of oil has diminished somewhat, since the discovery and development of large oil reserves in the Gulf of Mexico and the North Sea, as well as the opening up of Russia and market modernisation.

OPEC nations still account for two-thirds of the world's oil services and in 2005, 41.7% of the world's oil production, affording them considerable control over the global market. The next largest group of producers, which is a member of the OECD and the post Soviet States produced only 23.8% and 14.8% respectively of the world's total production. As early as 2003, concerns that OPEC members had little excess pumping capacity sparked speculation that their influence on crude oil prices would begin to slip. (www. Wikipedia. com)

One area of OPEC achievement is in the area of pricing. They have had considerable influence on world oil price. Any international business man in the area of energy would have to look at the direction of OPEC before taking up any decision.

Sales of oils worldwide are dominated in US dollars, changes on the value of the dollar against other world currency affects OPEC'S decisions on the quantity oil to produce.

3.7 African Trade Organisations

Ball et.al (2002) reported that to promote economic growth throughout the continent, several African Countries have formed trade and investment organisations. Three of these organisations are the Economic Community of West African States (ECOWAS), the Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Country (SADC).

3.8 Bank for International Settlements

Ball et.al (2002) reported that the Bank for Internal Settlements (BIS) is an international organisation that fosters cooperation among central banks and international financial institutions. The BIS deals with government and government agencies, it does not accept deposits from or provide financial services to private individuals or corporations.

The BIS has four main functions:

- A forum for international monetary cooperation
- A center for research
- A banker to central banks
- An agent or trustee with regard to various international financial arrangements.

Self-Assessment Exercise

Discuss the contributions of OPEC to its member countries.

4.0 Conclusion

International organisations are necessary for the growth of international business. International organisations have influence on business and business people worldwide. Most of these organisations are more or less government organisation with the aim of fostering unity among member nations.

5.0 Summary

This unit examined the role of the United Nations, the World Bank, the International Monetary Funds, and the Organisation of Petroleum Exporting Countries. It also discusses the World Trade Organisations, African Trade Organisations, and Bank for International Settlements.

6.0 Self-Assessment Exercise

Discuss the contribution of UN in fostering business activities worldwide.

7.0 References/Further Reading

Ball, A. D, Wendell, H. M, et al. (2002). *International Business-The Challenges of Global Competition.* (8th ed.). Irwin: McGraw Hill.

Ketler, P. (1997).*Marketing Management-Analysis, Planning, Implementation and Control*. (9th ed.). New Jersey: Prentice-Hall.

Unit 2 Financial Influence on International Marketing

1.0 Introduction

Financial influence on international marketing is an uncontrollable factor and it includes foreign currency, exchange risks, national balance of payment, taxation, tariffs, national monetary and fiscal policies, inflation and national business accounting rules. Though all these are uncontrollable variables looking like disadvantages to a business concern, if well studied and applied accordingly they could turn out to be an advantage to a business concern. This unit examines financial influence on international marketing activities.

2.0 Objectives

At the end of this unit, you should be able to:

- explain the factors that affect international business finance
- explain the implication of foreign currency on international marketing
- explain balance of payment
- explain tariff, taxation and government regulatory policy on international marketing activities
- explain international accounting practice.

3.0 Main Content

3.1 Financial Forces

There are some financial factors that a business man who partakes in international marketing struggles with in order to be successful in an international business. These factors are referred to as uncontrollable because for the simple fact that a business man do have total control over them. However; if critically studied, they may serve as opportunities rather than threats.

3.2 Fluctuating Currency Values

History has it that one of the major currencies Nigeria depends on in term of exchange is the dollar. In the early and late 90s, to be precise during the Abacha regime, the naira was about N70 to N 75 per dollar. Between 1999 and 2006, the Nigerian currency fluctuated between N160 and N180 per dollar. Today, it is about N160 per dollar and this has been fluctuating weekly.

The essence of this account is to examine the effect of this on an international businessman who operates in Nigeria. The cost of goods that are brought in from outside Nigeria will continue to rise and fall, thereby affecting business activities either positively or negatively depending on situation at hand and the policies of the government. In a situation where the currency fluctuation is higher, the central bank intervenes in selling and buying the dollars. You must continue to look at exchange rate if you must go into an international business/marketing. With the click of a button in your set, you can get the currency value of naira against major currencies in the world. You must bear it in mind that the rates are not always stable.

Self-Assessment Exercise

List the values of dollars, pounds, and euro against the Nigerian currency.

3.3 Foreign Exchange Quotations

Foreign Exchange Quotations- This is the price of one currency expressed in terms of another. Ball et.al (2002), observed that in the world currency exchange markets, the US dollar (US $) is defined as the common unit being exchanged for other currencies. Even if a holder of the Japanese Yen (Y) wants a British pounds (£) to trade with, particularly if it involves a large amount, usually, he is expected to buy US $s with the Y and then to buy pounds with the US $**.**

3.4 Currency Exchange Controls

Ball et.al (2002) described it as currency exchange control limit or prohibiting the legal use of a currency in international transaction. Typically, the value of the currency is arbitrarily fixed at a rate higher than its value in the free market and it is decided that all purchase or sales of other currencies be made through a government agency. However, black markets inevitably springs up, but it is of little use to a finance manager who usually wants to avoid or break the laws of a country in which the company is operating. In addition, the black market is rarely able to accommodate transaction of the size involved in a multinational business.

In Nigeria, the currency exchange was highly controlled with two different exchange rates- Inter banks rate and Foreign Exchange Market (FEM) rate. FEM rate is determined at fortnightly auctions. Borrowing from abroad is subject to finance ministry approval. For incoming business, especially direct investment, approval is needed from finance ministry and ministry of internal affairs. Limits on foreign equity shares, 100% ownership is not allowed. In the case of incoming Portfolio Market, it requires finance ministry approval. For the remittance of dividends and profits, the finance ministry approval is required. Delays are frequent, no ceilings is paid out of current-year after-tax profits. For the remittance of interest and principal, the finance ministry approval is required. For the remittance of royalties and fees, the finance ministry approval is required. Royalties limited to 1% of sales fees to 2% of pretax profit. For the repatriation of capital, the finance ministry approval is required, followed by authorised foreign dealer approvals. Documentation for remittance is onerous and complex, only transfer via authorise dealers is allowed.

Self-Assessment Exercise

Explain how the Nigerian government is able to control foreign exchange?

3.5 Balance of Payments

Balance of payments is described as a situation where countries' export and import is equal. If the balance of payment is slipping into deficit, government is probably considering one or more market or non market measures to correct or suppress that deficit.

In that situation, government may embark on one or all of the following measures:

- Currency devaluation
- Restrictive monetary or fiscal policies
- Currency or trade controls.

In terms of export, government will encourage export incentives, tax holidays, lower cost financing, or other advantages governments give to international businesses to encourage them to export, buy goods and service. All this affect international marketing activities either positively or negatively.

Self-Assessment Exercise

List five export incentives Nigeria has granted foreign investors.

3.6 Tariffs and Duties

The words tariffs or duties are used interchangeable. They are taxes usually imposed on imported goods. Tariffs and duties are imposed on some goods for:

- Natural defense
- Protect infant industry
- Protect domestic jobs from cheap foreign labour
- Scientific tariff or fair competition
- Retaliation
- Other arguments are that they:
- ➢ Permit diversification of the domestic economy
- ➢ improve the balance of trade.

3.7 Taxation

Taxes are collected from corporations by the government so as to provide social services to its citizen. So many people believe that customers pay taxes through high price of goods and the corporation transfers it to government. It means a company with lower taxes, charges its customers less for its product. This may sound truthful, but not the case in Nigeria.

International companies pay more taxes because they operate in more countries; which entail a lot of documentation and paying necessary fees.

There are different taxes in different countries. If you study countries, you will discover that the income tax is the biggest revenue earner for governments especially in America. There are other taxes like value-added tax, capital gain tax, property tax and social security.

3.8 Inflation

Increase in prices of goods and services over a period of time is known as inflation. History has it that inflation ended an economic boom in 1973 which was enjoyed immediately after World War II. The reasons for inflation may be due to:

- Rising demand
- Increased money supplies.

Since 2006, there has been increase in the prices of goods and services worldwide, as a result of the invasion of Iraq by America. It made crude oil sell at $117 per barrel for the first time in the history of energy sector in the world. To worsen the situation, the whole world is experiencing economic meltdown.

Inflation has a lot of effects on interest rates because companies borrow; the cost of borrowing is dependent on the rate of inflation. Once inflation sets in, the borrower looses because the value of money is reduced and the person that borrows, gain, because the value of money has gone down.

Inflation equally has an effect on a country's monetary and fiscal policies. (Monetary policy is the amount of money in circulation, while fiscal policies are the collecting and spending of money by governments). Inflation has both positive and negative effect on a business, especially to international marketers. Most businessmen prefer high inflation, because it encourages borrowing for the simple fact that repayment is cheaper. High inflation rate brings about high interest rate and may discourage lending to businesses.

3.9 Household Savings

Ball et al (2002) reported that a household saving is a percentage of disposable income which has a good measure of the saving rate in a country. U.S.A. has a low saving rate while Japan has a high saving rate. Japan's economy based on their saving rate is expected to be better than that of US in terms of investment and good infrastructures. In Nigeria during the Babangida administration, we had no savings as a country. However, when Abacha took over and before he died, we had a savings of $7 billion. Before the Obasanjo government handed over power in 2007, it was close to $50 billion. Today we are close to $70billion. It is expected that the money would be used in investing in infrastructural development and more inflow of international business.

Self-Assessment Exercise

Why studying inflationary system as an international marketer?

4.0 Conclusion

Taxation, household saving, inflation, balance of payment, currency exchange control, tariffs and duties, foreign exchange quotation are all financial forces that an international businessman must look into while on international marketing.. It could have both negative and positive effect on a business, depending on how a businessman handles it. For instance, inflation could be advantageous to a borrower while on the other side, the cost of borrowing could be high.

5.0 Summary

This unit examined financial influence on international marketing. It also discusses foreign exchange quotations, modes of currency exchange control system, and balance of payments. In addition, it also examined the various forms of tariffs and duties imposed on goods and services internationally. Taxation and its effects on international marketing were discussed equally. Inflation was also discussed.

6.0 Self-Assessment Exercise

Explain how taxation and inflation can affect international marketing.

7.0 References/Further Reading

Ball, A D & Wendell, H. M et al. (2001). *International business-The Challenges of Global Competition. (*8th ed.). Irwin: McGraw-Hill.

Ketler, P. (1997). *Marketing Management-Analysis, Planning, Implementation and Control* (9th ed.). New Jersey: Prentice-Hall.

Unit 3 Nigerian Organisations and International Marketing

1.0 Introduction

The Nigerian government has always encouraged Nigerians to go international. Because of this, they have set up agencies to encourage such activities. There are so many agencies in Nigeria regulating export and import activities and equally on how foreigners will set up business in Nigeria. This unit examines these organisations that aid international business. Some of these agencies include the Central Bank, Export-import Bank, Nigerian Export Promotion Council, and the Nigeria Investment Promotion Council, among others.

2.0 Objectives

At the end of this unit, you should be able to:

- explain what Nigerian investment promotion council is and its contribution to international business
- explain the contribution of Nigeria export promotion council to boost export in Nigeria
- explain how Nigeria export processing zone scheme has been able to facilitate export
- explain the supervisory role of central bank in facilitating international business.

3.0 Main Content

3.1 Nigerian Organisations

There re so many organisations involved in regulating international business in Nigeria. National Food and Drug Administration and Contol (NAFDAC), Standard Organisation of Nigeria (SON) and other agencies assist in moderating business in Nigeria. Specifically, the organisations under study in this unit include:

- Nigeria investment promotion commission
- Nigeria export promotion council
- Nigeria export import bank.
- Nigeria export processing zone scheme
- Central bank of Nigeria

3.1.1 Nigerian Investment Promotion Commission

Deciding to invest in a country is never an easy task. It requires crucial information, research and planning. This led to the formation of the Nigerian Investment Promotion

Commission (NIPC) in July 1995. The NIPC is an indispensable ally of potential foreign investors. The NIPC is tasked with overcoming the bureaucratic and institutional red tape that had previously discouraged foreign investors especially from taking advantage of Nigeria's wealth of opportunities.

Located in Nigeria's capital, Abuja, the NIPC building is open, modern and efficient-looking. A one-stop necessity for potential investors, it serves as a central investment approval agency, streamlining the activities of ministries, government departments and agencies involved with investment promotion. It helps in matters such as registration or incorporation of foreign enterprises, obtain expatriate quotas or find out specifics about the different tax regimes for sectors like cargo, oil or mining.

It also serves as a catalyst for injecting the much-desired foreign capital into the Nigerian economy through investments. It allows foreigners and local investors alike wishing to own up to 100% shares in investments in the country. It also encourages and promotes competition in the economy.

Functions

The NIPC performs the following functions:

- Advises government on policy issues related to investment.
- Guarantees the protection of foreign interests in Nigeria against expropriation.
- Administers appropriate incentives packages available to investors.
- Guarantees transferability of profits and other funds by investors.
- Initiates, organises and participates in promotional activities such as trade fairs, exhibitions, workshops, conferences and seminars to stimulate and attract investment.
- Identifies difficulties and problems encountered by investors, proffer solutions and render assistance to them.

Services

- Provides up-to-date information on investment opportunities available in the country.
- Links foreign investors with local partners
- Issues business permits to foreign investors.
- Coordinates the issuance of expatriate quota.
- Negotiates in consultation with appropriate government agencies, specific incentive packages for investors.
- Enters directly into bilateral agreement with investors for purposes of investment.
- Identifies specific project and invites interested investors to partake in them and more.

3.1.2 The Nigerian Export Promotion Council (NEPC)

The Nigerian Export Promotion Council (NEPC) was established through the promulgation of the Nigerian Export Promotion Council Act No. 26 of 1976 and formally inaugurated in

March 1977. This Act was amended by decree no. 72 of 1979 and further amended by the Nigerian Export Promotions Decree no 41 of 1988 and complemented by the Export Promotion Miscellaneous Provisions Decree No. 18 of 1986. Furthermore, the Nigerian Export Promotion Council Amendment Decree No 64 of 1992 was promulgated to enhance the performance of the council by minimising bureaucratic bottlenecks and increasing autonomy in dealing with members of the Organized Private Sector.

The vision of NEPC is to make the non-oil export sector a significant contributor to Nigeria's GDP, while their vision is to facilitate opportunities for exporters to promote sustainable economic development.

The Nigerian Export Promotion Council (NEPC) is the federal agency charged with the responsibility of developing, diversifying and promoting non-oil export product in foreign markets. Alder consulting has been engaged to oversee and implement the marketing of the Council locally and internationally.

Preliminary research indicates that the entity had no brand standards and there was little awareness of its role in the market. Furthermore, information about NEPC and the export sector in Nigeria was not easily accessible.

Self-Assessment Exercise

Name five services provided by NIPC to international business.

3.1.2 Export for Beginners

An exporter is someone who sells goods or services in a foreign market in order to make profit. Exporters can be classified into the following categories.

Export Merchant: An exporter who buys goods or products for export from manufacturers and producers within the country.

Manufacturing Exporter: Is company which apart from manufacturing certain products is also exporting the product.

Getting Started

Registration with NEPC

The firm which wishes to export has to be registered either as a corporate body or a cooperative society with the Nigerian Export Promotion Council. The NEPC is the Federal Agency charged with the responsibility of promoting export of made-in-Nigeria goods. NEPC is also responsible for the registration of new entrants into the exporting business. The relevant application forms which can be obtained at zonal offices is to be duly completed and returned to NEPC offices accompanied with the following documents:

- Copy of certificate of incorporation/evidence of registration (applicable to co-operative societies)
- Memorandum and articles of association
- Certified true copy of Form C.O.7 (particulars of directors of the company)
- Copy of current tax clearance certificate.

Registration takes approximately two weeks after submission of all required documents. The exporter is then issued with a certificate inscribed with a code number. Renewal of registration with NEPC as an exporter is compulsory every two years. It can be done by submitting the following documents:

- Current company tax clearance certificate
- Evidence of export performance within the two years
- Certified true copy of Form C.O.7.

It regulates goods to be exported out of the country and these goods have to be duly registered by the National Agency for Food and Drug Administration and Control (NAFDAC) and the Standards Organisation of Nigeria (SON). In order to register a regulated product at NAFDAC, the prospective exporter writes to the Director General of NAFDAC, an application accompanied with the stipulated fees per consignment of intended export attaching the following documents:

- Evidence of registration of the regulated product with NAFDAC
- Registration certificate granted by NEPC
- The following details of the goods should also be provided:
- Batch numbers
- Date of manufacture
- Expiry date or best before date
- Destination of intended export
- Certificate of analysis of the product batch by batch
- Name and full address of the manufacturer.

The Agency issues an export certificate if:

- The establishment maintains the standard requirements of goods manufacturing practice
- The regulated product passes NAFDAC laboratory tests

Exporters of regulated products also have to contact the nearest Standards Organisation of Nigeria (SON) office and submit the following documents:

- Request for product certification
- Test report.

A product which falls into more than one regulated category will need application for each category. A product certificate is then issued which has a validity of three years from the date of issue. A list of regulated products can be obtained from the SON website.

3.1.3 Nigerian Export-Import Bank

The Nigerian Export-Import Bank (NEXIM) was established by Act 38 of 1991 as an Export Credit Agency (ECA) with a share capital of N500,000,000 (Five Hundred Million Naira) held equally by the Federal Government of Nigeria and the Central Bank of Nigeria. The bank which replaced the Nigerian Export Credit Guarantee and Insurance Corporation earlier set up under Act 15 of 1988 has the following main statutory functions:

- Provision of export credit guarantee and export credit insurance facilities to its clients.
- Provision of credit in local currency for its clients.
- Establishment and management of funds connected with exports.
- Maintenance of a foreign exchange revolving fund for lending to exporters who need to import foreign inputs to facilitate export production.
- Maintenance of a trade information system in support of export business.
- Provision of domestic credit insurance where such a facility is likely to assist exports.

The bank presently provides short and medium term loans to Nigerian exporters. It also provides short-term guarantees for loans granted by Nigerian banks to exporters as well as credit insurance against political and commercial risks in the event of non-payment by foreign buyers. The bank is also the government's National Guarantor under the ECOWAS Inter-state Road Transit Programme. The bank's authorised capital as at December 31 2006 was N50 billion with a fully paid-up portion amounting to N11 billion.

3.2 Products/Services of NEXIM

Direct Lending Facility (DLF)
NEXIM lends money directly to Nigerian exporters to fund their purchase of capital goods, raw materials, packaging materials, and spare parts through the Direct Loans facility. The facility also covers the provision of infrastructure as well as revitalisation and modernisation of plants/machinery. Providers of export services in the areas of consultancy, tourism, oil and gas etc are also eligible for support.

It is provided in both local and foreign currency. Typically, NEXIM advances the funds directly to the Nigerian exporter, and these funds are repaid within a maximum period of seven (7) years.

ECOWAS Intrastate Road Scheme ISRT)
The scheme is designed to promote free flow of goods among member states, free of duties, taxes and restrictions and check the diversion of goods consigned for a specific destination.

NEXIM is the national guarantor for Nigeria under this scheme and is responsible to vary the risks. The risks covered include the diversion of goods within a country other than the country of destination, which would result in a loss of import duties/charges that could have been paid to the Customs authorities in the country the diversion occurs. This implies that the risk to be covered by NEXIM in Nigeria is the import duty accruable to the Nigeria Customs Service based on the invoice value of the transiting goods only and not on damage or loss of consignment.

Export Credit Grantee Facility (ECGF)
NEXIM's export credit guarantee facility is designed to protect Nigerian banks against the risks of non-payment for loans or advances granted to exporters to meet short-term export contracts.

Pre-and post-shipment guarantees are available under the facility for a period of 180 days. This facility does not cover the risks of non-payment resulting from any fraudulent act of the exporter or his agents and risk of non-payment resulting from the failure of the exporter to fulfill the terms of the export contract or negligence on his part. Other risks excluded include non-payment as a result of default of the exporter's agent or collecting banks as well as non-payment resulting from physical damage, which should normally be insured with commercial insurance companies.

Export Credit Insurance Facility (ECIF)

One of the major problems facing exporters is the non-payment for goods exported. Non-payment may result from the buyer's insolvency or other events outside the control of the exporters and the buyers. NEXIM's export credit insurance facility is designed to protect Nigerian exporters against the risks of non-payment for goods and services exported on credit terms as a result of commercial/political events.

The facility covers both pre-and post-shipment risks for a maximum period of 180 days. However, the facility excludes the risks normally insured by commercial insurance companies or other government departments, foreign risks, insolvency or default by exporter's agent or collecting bank and failure of the exporter to fulfill the terms of the contract or negligence on his part.

Export Trade Support Facility (ETSF)

Foreign Input Facility (FIF)

This provides manufacturers of export products foreign currency loans to import capital equipment, packaging and raw materials to produce finished products for export. The facility has a maximum tenor of seven (7) years inclusive of a moratorium period of not more than two (2) years. It is repayable in foreign currency.

Local Input Facility (LIF)

This is a medium to long-term facility and is provided in local currency to enable exporters finance capital purchases and other activities that would require more than one year to repay. The facility has a maximum tenor of seven (7) years inclusive of the moratorium period of not more than two (2) years.

NDE Facility (NDEF)

This facility is designed to provide direct financial assistance to qualified Nigerian Graduates (the participants) to enable them undergo tutelage with established exporters under the Start-Your-Own-Business (SYOB) Programme, prior to their exporting eligible goods and services themselves. The objective is to create the required linkage for registered companies/cooperatives owned by jobless graduates to go through practical trainings and guidance with reputable exporters, who may in turn assist them in securing export contracts from overseas and/or outsource some aspects of their businesses to them.

National SESAME SEEDS Credit Facility (NSSEP)

This is available to provide necessary financial assistance to qualified registered companies under a special credit scheme for the exportation of Sesame seeds and to assist the target companies to directly access short-term pre-and post-shipment finance in support of export of Sesame seeds with a view to increasing the quantity as well as quality of Sesame seeds exported from Nigeria annually.

Rediscounting and Refinancing Facility (RRF)

This helps banks to provide pre and post-shipment finance in local currency to support non-oil exports. The RRF gives exporters access to the bank's export portfolios at preferential rates.

The refinancing scheme provides a bank with credit of up to one year. Short-term pre-shipment credit of up to 120 days and post shipment credit of up to 60 days is provided under the rediscounting scheme.

Special Cassava Export Credit Facility (SCECF)

Following the establishment of the Presidential Initiative on Cassava Export Promotion by President Olusegun Obasanjo in February 2004, NEXIM was selected as a key member of the Sub-Committee on Finance and Export Proceeds Repatriation and specifically requested to support the initiative.

To this end, the management of NEXIM considered and consented to the establishment of a Special Cassava Export Credit Facility to allow for direct disbursement of approved loans to qualified exporters of cassava products.

Stocking Facility (SF)

This is provided in local currency and it enables manufacturers of exportable goods to procure adequate stocks of raw materials to keep their production at optimal levels. The Stocking Facility is available for up to one year and is granted at rates capable of enhancing the competitiveness of manufactured export.

Textile Revolving Fund (TRF)

This is provided in local currency and it enables manufacturers of exportable goods to procure adequate stocks of raw materials to keep their production at optimal levels. The Stocking Facility is available for up to one year and is granted at rates capable of enhancing the competitiveness of manufactured export.

3.3 Nigerian Export Processing Free Zone Scheme (EPFZS)

Since the inception of a new democratic administration in May 29 1999, a number of efforts have been made to attract both local and foreign investors to the country to boost Nigeria's economy. To point the country towards the path to industrialisation will involve discipline, focus and hardwork from all sectors of the economy. In this light, the diversification of the economy has led to de-emphasising the role of oil production and exports within the country's economy. Much needed focus has thus been devoted to other sectors like solid minerals, tourism, telecommunication, commerce and industry.

All these efforts toward economic development led to the establishment of the Export Processing Free Zone Scheme (EPFSZ) in November 1991. This scheme allows for interested persons to set up industries and business within demarcated zones known as Export Processing Zones, (EPZs) principally with the objective of exporting the goods and services manufactured or produced within the zones. But this novel scheme was slowed down by the political shenanigans in power then. It thus took another decade before it saw the light of the day with the inauguration by President Obasanjo of the multi-billion naira Calabar Export Processing Zone (CSPZ).

In a nutshell, the scheme is targeted to promote the diversification of the export base of the nation through the acceleration of export business, with attendant loaded incentives, that will include industrial production, offshore banking, insurance and reinsurance, international stock, commodities and mercantile exchange, commercial industrial research, agriculture and agro-allied industry, mineral processing, as well as international tourist resort development and operation. The Calabar zone has been designated as the primary EPZ territory and a total of 80 serviced plots have been reserved for prospective investors for self-built factories.

Tax and other Incentives

The incentives that come to investors in the designated EPZ territories include:

- Tax holiday relief and legislative provisions pertaining to taxes
- Levies, duties and foreign exchange would not apply within EPZs, repatriation of foreign capital investment in EPZs at any time and capital appreciation of the investment
- Unrestricted remittance of profits and dividends earned by foreign investors in EPZs
- No import or export licenses required, rent-free land during construction of premises.
- Up to 100% foreign ownership of enterprises in EPZs, sale of up to 25% of production permitted in domestic market
- No quotas on products from Nigeria exported to the European Union, (EU) and the United States of America.
- Made-in Nigeria goods are entitled to preferential tariffs in the EU.

Self-Assessment Exercise

Name five incentives of EPZ to international business.

3.3.1 Grants Available for Exporter

The provision of the Industrial Development (Income Tax Relief) Act with respect to pioneer status qualifies for a tax holiday of 3-5 years to any manufacturing exporter who exports at least 50% of his annual production. Additional concessions are also available in the local raw material development, local value-added, labour-intensive or export-oriented activities that involve significant training.

Tax Relief on Interest Income

Interest accruing form loans granted by banks in aid of export activities enjoys favorable tax treatment.

Capital Assets Depreciation Allowance

The law in Nigeria provides an additional annual depreciation allowance of 5% on plants and machinery to manufacturing exporters who export at least 50% of their annual turnover provided that the product has at least 40% local raw material content or 35% value added.

Investment Protection

Protection of property is provided by Section 31 of 1999 Nigeria's constitution. The section states: "No property or other rights will be taken over or compulsorily acquired except under a law which provides for adequate compensation and for a right of access for any claimant to the High Court of the relevant part of Nigeria for the determination of interest in the property and compensation amount."

Expropriation

The Nigeria Investment Protection Commission Decree guarantees against nationalisation, expropriation and compulsory purchase.

Disputes Settlement

Disputes between an investor and any level of government of the Nigerian federation in this regard which cannot be amicably settled, may be submitted by an aggrieved party to arbitration in accordance with the Nigeria Arbitration and Conciliation Decree 1988 or within the framework of any bilateral or multilateral agreement on investment protection to which the Federal government and the investor's country are parties or in accordance with any other national or international machinery for the settlement of investment disputes as agreed to by the parties. Nigeria's general legal environmental, which is based on the English common law, further upholds the sanctity of contracts and the rule of law.

The scheme operates in a fashion that cuts off the bureaucratic delay that is synonymous with government agencies by allowing the Nigerian Export Processing Zones Authority (NEPZA) to administer, manage, control and coordinate the quick approvals for participating foreign investors while its supporting agencies handle almost all phases of operations in the zone independent of government. These include issuing application forms and approval, company registration and construction licensing among others.

To facilitate the operation of the Calabar EPZ, the Calabar seaport has been declared as a free port to complement the status of the free trade zone. Among the numerous facilities sited at the 152 hectare Calabar EPZ site, is a new port less than two kilometers away with fully buoyed river channel and an estimated capacity of about 1.5 metric tons of cargo excluding crude oil. Many investors are already eager to set base in Calabar and the government has assured of the existence of several pre-built standard factories. Presently, only three companies are operating in the Calabar zone so there is plenty of room for new companies. It has been promised that the entire necessary infrastructure will be in place-; roads, street lighting, perimeter fencing, electricity and water facilities.

With a vast population that is rich in human potentials and abundant mineral resources, the success of the EPZs is almost certain from day one, though the elimination of the "Nigerian factor" must be a priority concern for the eventual growth of the scheme. Also, the establishment of other zones around the country is being considered for wider coverage and developmental impact. Kano and Lagos are veritable locations for such a project with the former catering the Trans-Sahara trade and latter focusing on export of manufacturing products. The prioritisation of quality should not be sacrificed on the altar of quantity and strict monitoring regulations must be formulated to guide participating firms.

3.3.2 The Nigerian Export Processing Zones Scheme

The enabling law for the establishment and management of the Export Processing Zones (EPZ) scheme in Nigeria is the Nigerian Export Processing Zones Authority Decree No. 63 of 1992. By this decree, administration of the Nigerian EPZ programme is vested on the Nigerian Export Processing Zones Authority (NEPZA). NEPZA is thus, empowered to grant all requisite permits and approvals for operators in EPZs to the exclusion of all other government agencies and bodies.

The regulatory regime for EPZs in Nigeria is liberal and provides a conducive environment for profitable operations. The incentives available to operators in Nigeria's EPZs compare favourably with the most attractive elsewhere in the world and are the best in the region. They include one hundred percent foreign ownership of investments, "one stop" approvals, no import or export licenses, duty free import of raw materials, unrestricted remittance of capital profits and dividends, tax holidays and no strikes. The country's pioneer EPZ is the Calabar Processing Zone.

Calabar Export Processing Zone

The Calabar EPZ provides investors with one of the most suitable sites for export manufacturing in Africa. The zone provides serviced industrial and administrative facilities at the most competitive rates obtainable for facilities of such standards in Africa. In addition to public supplies of such utilities as power, water and telecommunications, the zone has its own private back-up supply of these essential utilities and services.

Calabar, the city in which the EPZ is sited, is an ancient and historic city with an enviable past, having served as the capital of the Southern Protectorate of Nigeria before the amalgamation of the Northern and Southern Protectorates in 1914.

The serene and beautiful city served as the center of operations for the Royal Niger Company during the days of the oil palm trade as well as being an age-long center of learning. It is presently the capital of Cross River State in south-east Nigeria and is fondly referred to as the 'Canaan City, the biblical land flowing with milk and honey.' Although one is not likely to actually find milk and honey flowing on the streets of this clean, enchanting and alluring city, one will definitely discover the warmth and hospitality of the people of Calabar in abundance.

There are other attributes, which make the choice of Calabar as the site of Nigeria's pioneer EPZ an excellent one. The city has good road links with other part of the country and is traversed by the Trans-African Highway, major gateway to republic of Cameroon and other countries in Central Africa. Its modern seaport adjoining the EPZ is of special advantage and will result in significant savings for shipping and haulage services to investors in the Zone. The city's international airport is less than twenty minutes drive from site of the Calabar EPZ.

Several airlines provide Calabar with international and local air travel services. ADC airline is the major operator from Calabar Airport. It operates daily domestic flights to and from Lagos and Port Harcourt, with connecting international flights to destinations in Africa. The airline also operates flights to Ghana, Liberia, Sierra Leon and Guinea. Nigeria Airways flies to Calabar en route to Equatorial Guinea and Cameroon. Skyline Airline offers daily service to and from Lagos and Enugu.

Calabar and its environs have a pool of skilled and trainable manpower with significant industrial experience. Such manpower is available at very competitive rates, which rank among the lowest in the world. There are several institutions of higher learning in Calabar and its environs which provide university, technical and vocational education. If the need arises, these institutions can provide any special training needs and support services that producers in the Zone may need. Industrial activity in Calabar is largely in natural resource-based industries such as oil palm, wood, limestone, rubber, cocoa and coffee.

However activities in the oil and gas industry, especially the aluminum smelting plant in nearby Ikot Abasi and the activities of Mobil producing Nigeria Unlimited, based in nearby Eket offer the prospect for linkages between manufactures in the Calabar EPZ and these industries.

Moreover, the disposition of its people, its rich history, culture and several natural attractions make Calabar an ideal tourist location. Attractions in Calabar and within include the Abokim Water Falls, Qua Falls, and the Gorilla Sanctuary.

Facilities within the Zone

Facilities available under the Calabar EPZ are as follows:

- Service plot
- Uninterrupted power and water supply
- Modern and efficient telecommunications system

- Excellent internal road network
- Built-up Factory space
- Modern catering and recreational facilities
- Banking services; and
- Custom.

Industries Permitted Within the Zone

Industries permitted within the Calabar EPZ are the following:

- Electrical and Electronic Product
- Textile Product
- Garments Production
- Product and Handicrafts
- Leader Product
- Petroleum Product
- Rubber and Plastic Products
- Cosmetic and other Chemical Product;
- Metal Product and Machinery
- Educational Materials and Sport Equipment
- Printing Materials, Communication and Office Equipment
- Medical Kits, Optical Instruments and Appliances
- Biscuits, Confectionaries and other Food Processing; and
- Pharmaceutical Products.

Proposals for industries outside the above listings will be considered on their individual merit.

Summary of Investment Procedure

The following is a summary of procedures, which an investor will normally follow in establishing an industry under the Calabar EPZ:

1. Inquiries and obtaining investment application g form.
2. Inspection of built-up factory space and serviced industrial plots
3. Submission of investment application form
4. Processing of application form
5. Application for company registration.

6. (a) Outright purchase of built-up standard factory:

Payment purchase shall be made as follows:

- 10 percent of the purchase price within 3 months of execution of purchase agreement. Balance of 90 percent to be paid 5 months after.

(b) Rent of built-up factory space: Rent shall be paid as follows:

- One year rent upon execution of rental agreement. Thereafter, rent shall be payable annually.

(c) Lease of built-up standard factory: Rent for the lease shall be paid in 3 payments as follows:

- 40 percent of the rent payable for the lease on or before execution of lease; thirty percent rent for the lease on or before the end of the 5th year of the lease; 30 percent of the rent payable for the lease on or before the end of the 10th year of the lease

(d) Lease of service plots: Rent from the lease shall be paid as follows:

- 40 percent of the rent payable for the lease on or before approval of factory construction; 30 percent of rent payable for the lease at the end of the 5th year of the lease; 30 percent of rent payable for the lease at the end of the 10th year of the lease.

7. Remittance of investment capital.
8. Assessment of investment outlay.
9. Pre-production inspection of factory building, plant and machineries before commencement of production.
10. Obtain certificate to sell 25 percent of production in the domestic market. In conclusion, in addition to all the above, continuous commitment to the implementation of liberal economic policies that will enhance the development and growth of the export sector coupled with the Naira's favourable exchange rate for profitable export production from the Calabar EPZ.

Self-Assessment Exercise

Discuss five services available to an international businessman in EPZ?

3.3.3 The Central Bank of Nigeria

Central Banks worldwide simply refer to a central monetary authority or an apex financial institution within the entire financial structure, promoting monetary stability and a sound financial system. Central banking is one of a variety of structures, functions and powers, which are in it a by-product of the economic, political and other realities prevailing in a society.

Historically, prior to the establishment of the Central Bank of Nigeria by the CBN Act of 1958, there existed a body known as the West African Currency Board (WACB). This Board, which was established by the then British Colonial Government, was intended to serve as a Central Bank for the Anglophone West African countries. Thus, the board was charged with the primary responsibility of issuing the West African Pound, which served as the legal tender currency in Ghana, Nigeria, Sierra-Leone and the Gambia.

Another function performed by WACB was the management of the reserves held in trust for these colonies. Such reserves were invested by the board on behalf of the West African countries as instruments in the London Money Market. The weakness of the board for which it was criticised is as follows:

- It carried on commercial banking activities alongside other commercial banks
- The board lacked the basic apparatus to control the supply of money
- The board got involved in physical distribution of currency from one point to another
- Its activities were considered discriminatory against indigenous West African industrialist
- It was not concerned with the development of the colonies and most of its activities were based on commerce and trade.

3.3.4 Objectives

The principal objectives of the Central Bank as stipulated in the CBN Act of 1958 are as follow:

- The insurance of legal tender currency in Nigeria
- To maintain the external reserve and value of the legal tender in order to safeguard the international value of the currency
- To promote monetary stability and a sound financial system
- They serve as the banker and financial adviser to the Federal Government
- Acts as bankers to other banks within Nigeria and abroad.

3.3.4 Functions

To achieve the above objectives, CBN undertakes the following functions as stated in the Act. The basic functions performed by CBN can be broadly categorised into three.

- Traditional functions
- Regulatory functions; and
- Development functions.

Traditional Functions

- It issues the legal tender (currencies) Naira and Kobo
- It acts as the Banker and financial adviser to the Federal Government
- CBN acts as the banker to other banks and finance institution.
- Cheque Clearing
- Lender of last resort

- It manages the accounts and debt of the country
- CBN acts in banking supervision and examination.

Regulatory Functions

The regulatory functions of the CBN are mainly directed at the objective of promoting and maintaining monetary and price stability in the economy. To perform this regulatory function, the CBN formulates policies to control the amount of money in circulation; controls other banks and major players in the financial market; controls rates of banks credits and therefore the supply of money in the economy. The instruments used by the CBN to achieve these functions are:

- Open Market Operation (O.M.O)
- Bank Rate
- Rediscount Rate
- Direct Control of Bank's Liquidity
- Direct Control of Bank Credit
- Special Deposits
- Moral Persuasion
- Minimum Cash Ratio.

Development Functions

The establishment of CBN in 1959 was premised on the need to promote and accelerate the much needed economic growth and development in Nigeria, which would invariably promote the growth of the financial market. This financial market comprises the Money and Capital market, assistance to development banks and institutions and the formulation and execution of government economic policies.

The Money Market is the market for mobilising short-term funds with instruments such as Treasury Bills, Treasury Certificates, Commercial Papers, Certificate of Deposit (CDs), Eligible Development Stock (EDS) and Bankers' Acceptances.

The CBN plays a major role in the capital market, which deals with long-term funds by fostering its growth through the annual subvention granted to them.

The CBN also helps to promote and assist the development banks and institutions. These include Nigerian Industrial Development Bank (NIDB), the Nigerian Banks for Commerce and Industry (NBCI), the Nigerian Agricultural Insurance Company (NAIC), the Federal Mortgage Bank of Nigeria FMBN), the Nigerian Deposit Insurance Corporation (NDIC), the Nigerian Export-Import Bank (NEXIN) and the Securities and Exchange Commission (SEC).

In addition, the CBN is involved in the formulation and execution of viable economic policies and measures for the government. Since 1970, the Bank has been instrumental in the promotion of wholly owned Nigerian enterprises. Thus, the recent directive to banks to set aside 10% of their profits before tax to finance small and medium scale enterprises can be viewed in this context.

3.3.4 Problems

The CBN is faced with a number of problems in the Nigerian financial sector. Among these problems are:

- One of the failings of the CBN is their inability to guard against unethical actions of commercial banks in the areas of money laundering and interbank forex exchange.
- The CBN's inability to curb the current rising inflationary rates in the country.
- Its lack of effective regulatory measures has led to high lending rates imposed by commercial banks on their customers.
- It also lacks the capacity to effectively execute Government economic policies.
- It fails to promote and encourage Nigerians to invest in small and medium-scale enterprises by not giving enough incentives.
- Another problem faced by the CBN is its inability to monitor the skyrocketing foreign exchange rate in the country.
- The CBN has been unable to promote the needed saving culture among Nigerians, which could have helped the nation's capital base.
- Finally, the CBN has been unable to tap into the information technology super highway of e-banking and e-commerce, which is a major prerequisite for the country to partake in the world economy.

Self- Assessment Exercise
Discuss the contribution**s** of CBN to i**n**ternational business in Nigeria.

3.3.5 Achievements, Vision and Mission

The Central Bank of Nigeria in its bid to curb banks' unethical actions has periodically increased their capital base and has instituted the Inter-bank foreign exchange market to check capital flight and to regulate foreign exchange rates.

CBN has also achieved a level of autonomy since the advent of the democratic dispensation in Nigeria; this is reflected in her aggressive execution of the Government's economic policies in the areas of orientating the Nigerian populace to embrace the saving culture, the encouragement of foreign investors by creating enabling environment/policies for ensuring macroeconomic stability and stable governance.

We must also acknowledge the recent moves by the Central Bank to tap into the limitless opportunities derivable in the information technology world. This is reflected in the massive promotion of universal banking in the country. The CBN took the bull by the horn by first starting a restructuring and reengineering project which is perceived to tackle the business processes in its structural and instructional deficiencies to enhance its effectiveness, efficiency and productivity.

The Central Bank of Nigeria's restructuring and re-engineering involves improve reorganisation of the bank's business processes with a view to making it more efficient and proactive. It also involves restructuring the assets and liabilities of the bank to promote efficiency, restore integrity and achieve cost effectiveness. To achieve this all-important restructuring and reengineering, the CBN embarked on a project code named "Project EAGLES".

Project EAGLES is an approach the CBN has adopted, recognising the need to gear up its organisation and systems to address strategic issues, achieve a sharper focus on core functions and be an efficient regulator in the 21st century. Consequently, the vision of the CBN in the third millennium is summarised below:

"Is to be one of the most efficient and effective among the world's central banks in promoting and sustaining economic development".

Arising from the vision, the restructuring/re-engineering code named EAGLES stands for the following:

E = Efficiency

A = Accountability

G = Goal oriented

L = Leadership

E = Effectiveness

S = Staff oriented

The mission of the Central Bank of Nigeria arising from the vision can be captured as follows:

"To be proactive in providing a stable framework for the economic development of Nigeria, through transparent implementation of monetary policy, and the achievement of efficient and effective price stability for a sound management of the financial system".

The restructuring/re-engineering framework adopted for Project EAGLES is the Performance Driven Change methodology (PDC). This method defines and reviews the performance measurement set for each business processes to be sure that process performance is appropriately measured.

According to the Governor of CBN, the project, which has kicked off has completed its first phases. The governing board of CBN is satisfied so far. The second phase has also been launched. This project was embarked upon due to the need to change the entire structure of the CBN with a focus towards imbibing a strong culture change using modern information technology as a springboard.

The re-engineering exercise according to the Governor is intended to radically alter the way things are presently done, which means making significant technological changes that will pervade the whole CBN.

Self-Assessment Exercise

Enumerate the functions of the CBN.

4.0 Conclusion

These international organisations in no doubt have been able to encourage foreign business between Nigeria and other countries. It is a measure of the Nigerian Government's encouragement to international business, especially with incentives like holiday tax expropriation, investment protection and a lot more.

5.0 Summary

This unit discussed the various Nigerian financial and development organisations. These include among others, the Nigeria Investment Promotion Commission; the Nigeria Export Promotion Council; the Nigeria Export Import Bank; the Nigeria Export Processing Zone schemes and the Central Bank of Nigeria. Their contributions and functions to international marketing were also discussed.

6.0 Self-Assessment Exercise

Discuss those products/services provided by NEXIM in assisting an international business.

7.0 References/Further Reading

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Unit 4 International Accounting and Taxation

1.0 Introduction

Accounting system and taxation differs from country to country; hence, some countries find it difficult to present accounting information in different ways to different countries.

International accounting standards committee has been pursuing a goal of single accounting system, for the whole world. The goal is that investors will be willing to invest in certain nations if their companies' financial reports are more transparent and reliable.

Many countries, other than the United States, also have a system of accounting standards. The International Accounting Standard Board based in London, England, exists to achieve international harmonisation of accounting principles. Thus, this unit examines international accounting systems.

2.0 Objectives

At the end of this unit, you should be able to:

- explain accounting practices and differences across countries and see how the differences alter the compositeness of firms in international markets
- Identify areas of accounting that should constitute problems or success in coming years
- explain the philosophies of taxation and its effect on domestic and foreign markets.

3.0 Main Content

3.1 International Accounting Diversity

It is obvious that accounting principles differ, but in itself, it is not a problem. The major problem is that decisions by lenders, investors or government policy makers are always distorted by those differences.

	ECONOMIC SITUATION OF THE IDENTICAL FORMS	
ACCOUNTING TREATMENT	SIMILAR	DISSIMILAR
SIMILAR	A Logical Practice Results are Comparable	B May/May not be Logical .Results May/May not be Comparable
DISSIMILAR	C Illogical Practice, Results are not Comparable	D Logical Practice Results May not be comparable.

Accounting diversity can be traced to when a firm has either similar or operating similar or dissimilar accounting system as shown in the diagram above.

BOX A

Similar firms operating similar accounting systems will be logical in practice and easily interpreted.

BOX B

Similar firms among a dissimilar accounting system results, in terms of comparison, have the probability of either been or not been comparable and the accounting system may or may not be logical.

BOX C

Firms that are dissimilar yet their accounting systems are similar. The practice in this type of firm is illogical i.e. one may not be able to compare their results.

BOX D

Different firms with different accounting practices, though logical, but their results are not comparable.

3.2 Principal Accounting Differences Across Countries

Czinzokota et.al (2002) opined that international accounting diversity can lead to any of the following problems in international business:

- Poor or improper business decision making
- Hinder the ability of a firm or enterprise to raise capital in domestic or foreign markets.

- Hinder or prevent a firm from monitoring competitive factors across firms, industries and countries.

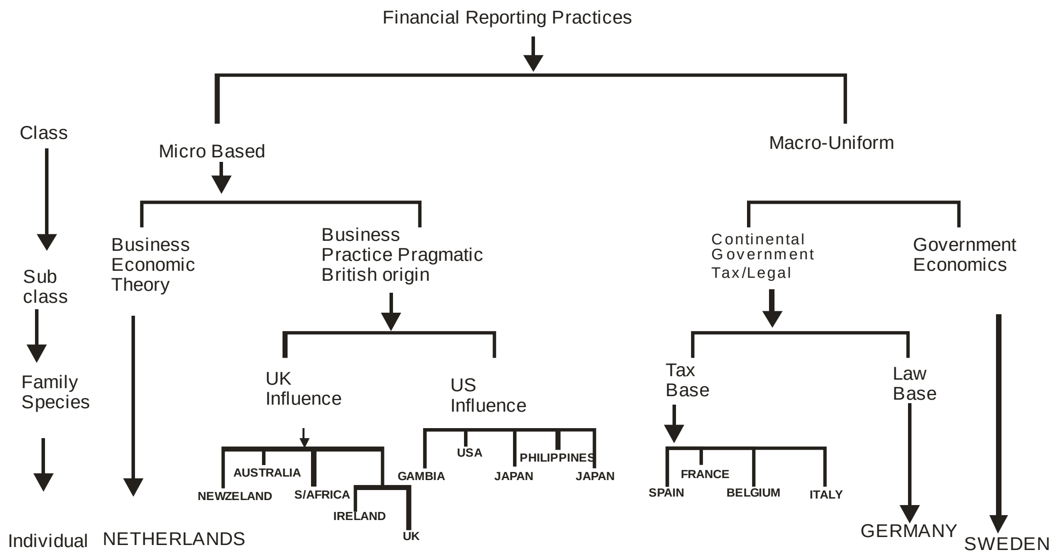

Fig. 4.1: Nobes' Classification of National Accounting System

Source: Czinzokota, M.A; Michael, H.M et.al (2002). *International Business* (6th ed.), USA: Southwestern Thompson Learning.

Self-Assessment Exercise

Discuss the problems of accounting diversity in an international marketing.

3.2.1 Origin of Differences

Accounting practices in the world is linked to its people, places and events of their time. In Nigeria, the accounting system will strictly be that of their colonial masters. Accounting practice, looks at the users of this accounting information i.e. investors, lenders and governments. From the diagram in **3.1** above, one can vividly see the origin of the differences in accounting. For example, the accounting system of Italy differs from that of Ireland, the reason been that Ireland accounting system is UK based while that of Italy is tax based. In addition, the accounting system of Ireland is micro based while that of Italy is macro uniform.

3.2.2 Classification of Accounting System

Nobes (Fig. 1) divides the accounting practice into two basic systems of micro based and macro uniform. Micro based is sub-divided into business, economic, theory and business practice, and pragmatic British origin.

Macro-uniform is subdivided into continental; government tax, legal, government, and economics.

3.2.3 The Issues

Different accounting system means that markets must be segmented so as to enable firms and companies understand the accounting information. It therefore means that accountants will continue to do the job of interpreting accounting information. The following are some of the accounting differences across countries:

i. Accounting for Research and Development Expenses

It is believed that research and development accounting need to take note of cost so that it can be spread across, in such a way that profit will be made in future.

- Accounting for Fixed Assets
- Inventory Accounting Treatment

This includes the use of first-in first-out method and average cost system in dealing with inventory.

- Capitalising or Expensing Leases
- Pension Plan Accounting
- Accounting for Income Taxes
- Foreign Currency Translation
- Accounting for Mergers and Acquisition
- Consolidation of Equity Securities Holdings.

3.3 The Process of Accounting Standardisation

By 1973, a committee on Certified Public Accountants Principle (CPAS), established accounting principle in the United States. CPAS are accountants licensed by their state government on the basis of educational background, a rigorous certification examination and in most jurisdictions, relevant practical work experience. In 1973, the seven members Financial Accounting Standards Board was created as an independent standard-setting organisation.

Regulations for auditors are promulgated by the American Institute of Certified Public Accountants. United States companies whose stocks or bonds are traded publicly must conform to rules set by the Securities and Exchange Commission (SEC), a federal government agency. Tax laws and regulations are encountered at the federal level by the Internal Revenue Service (IRS) and at the local level by the state and municipal government agencies. Many countries other than United States also have system of accounting standards. The international accounting standards board based in London exists to achieve international harmonisation of accounting principles.

3.4 International Taxation

We may not understand international taxation, except we understand what tax is in our home country. Taxation is a system of raising money to finance government activities. All governments require payment of taxes from people. Government use tax revenues to pay soldiers and police, to build dams and roads, to operate schools and hospitals, to provide food for the poor and medical care to the elderly. Without taxes to fund its activities, the government may find it difficult to carry out her functions.

History has it that people have debated the amount and kinds of taxes that a government should impose, as well as the burden of those taxes and how it should be distributed across board. Unpopular taxes have caused public protest, riots, and even revolutions. In political campaigns, candidate's views on taxation may partly determine their popularity with voters.

Taxation is the most important source of revenues for modern governments, typically accounting for 90 percent or more of their income. The remainder of government revenue comes from borrowing and from charging fees or services. Countries differ considerably in the amount of taxes they collect. In the United States, about 30 percent of the gross domestic product (GDP) and measure of income output went for tax payments in 2000. The 30 percent figure is relatively low from a historical standpoint. As a result of a new round of tax cuts in 2003, the tax percentage share of GDP was expected to be lower. In France, the figure is 45 percent and in Sweden it is 51 percent.

In addition to using taxation to raise money, the government may raise or lower taxes to achieve social and economic objectives, or to achieve political popularity with certain groups.

Taxation can redistribute a society's wealth by imposing a heavier tax burdens on one group in order to find services for another. Also, some economists consider taxation as an important tool for maintaining the stability of a country's economy.

3.4.1 Tax Jurisdiction

Czinzokota, et.al (2002) opined that there are two approaches to international taxation. The residential approach to international taxation, taxes the international income of its residents without regard to where the income is earned. The territorial approach to transactional income, taxes all parties, regardless of country of residence, within its territorial jurisdiction.

3.4.2 Tax Types

Taxes are generally divided into Direct and Indirect taxes. Direct tax is calculated on actual income, either individual or firm income. Indirect taxes include sales taxes, tariff, and value added taxes. However, a broader classification of tax types includes:

- Individual income tax
- Corporate income tax
- Payroll
- Consumption taxes
- General sales tax
- Excise tax
- Value added tax
- Tariff
- Property taxes
- Estate, inheritance, and gift taxes
- Other taxes which include poll tax.

3.5 Income Categories and Taxation

There are three primary methods used for the transfer of funds across tax jurisdictions.

- Royalties- It is an authorised license for the use of intangible assets such as patents, designs, trademarks, techniques or copyrights.
- Interests- Payment for the use of capital lent for the financing of normal business activity.
- Dividends are income paid or deemed paid to the shareholder of the corporation from the residual earning of corporations.

Self-Assessment Exercise

What are the uses of taxes to a country?

4.0 Conclusion

Accounting system worldwide differs but the international accounting standard board is charged with the responsibility of harmonising accounting standards worldwide. Thus, accounting system of different countries must be studied to be able to know which type one should adopt while going into a new country. Likewise, taxes are sources of revenues for government and levied by government agencies on individuals and corporate entities.

5.0 Summary

This unit discusses the international accounting systems and taxation as they apply to international marketing.

6.0 Self-Assessment Exercise

Discuss the various sources of accounting diversity.

7.0 References/Further Reading

Ball, A D, Wendell H. M, et al. (2002). *International Business- The Challenge of Global Competition.* (8th ed.). Irwin: McGraw-Hill.

Meyer, P. E. (2006). "Accounting and Bookkeeping". Microsoft @ Student 2007 (DVD). Reamond WA: Microsoft Corporation.

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Unit 5 International Marketing Research

1.0 Introduction

Marketing research is the first step taken by any businessman before investing his money in either domestic or international marketing. A lot of business men started business without research; the consequences are better imagined than said. Because of information technology, research has become easier. One can be in his house and get information about another country with the press of a button. An international businessman must know about research, its objectives, and how to conduct research with the use of both primary and secondary sources of information. When all these are done and known before going international, business failure becomes less. This unit discusses marketing research as a tool for achieving international business objectives.

2.0 Objectives

At the end of this unit, you should be able to:

- define international business research
- give reasons for international research
- explain the research objectives
- explain how to conduct secondary and primary research

.

3.0 Main Content

3.1 International Marketing Research

This is a research that is carried out beyond the borders of your country with the aim of entering such a country once the research is favourable.

3.2 International and Domestic Research

International research is the same as domestic research, even though they have some basic differences as explained below.

New Parameters

Doing business abroad thus implies that the researcher must look at the following parameters:

- The duties of different countries
- Foreign currencies and changes in their values
- Different modes of transportation
- International documentation.

New Environmental Factors
When going international in research, the following environmental factors are encountered which may not be found in the domestic environment.

- Culture of the host country
- Political system
- Societal structures and language
- Legal issues
- Technology.

Number of Factors Involved
Going into international marketing requires knowing the needs and obtaining the necessary data, which involve:

- Compare result and activities across countries
- The firm must be able to learn from its international operations and must find ways to apply the new lessons learned to different markets.

Broader Definition of Competition
It is found out that firms have greater variety of competition, than that found in the home market.

Self-Assessment Exercise
List five factors to be considered in an international research.

3.3 Recognising the Need for International Research

Research is necessary but a lot of managers are reluctant to engage in international research for the following reasons.

- Lack of sensitivity to differences in culture, consumer taste and market demands.
- Limited appreciation for the different environment abroad.
- Lack of familiarity with national and international data sources and inability to use international data once they are obtained.
- Firms often build their international business activities gradually and frequently based on unsolicited orders.

3.4 Determining Research Objectives

Your objectives will be on whether you want to:

- Export
- Import; or
- Go into market expansion.

One major objective of international research is to discover new foreign market opportunities.

STAGE ONE

PRELIMINARY SCREENING FOR ATTRACTIVE COUNTRY MARKETS.

KEY QUESTIONS TO BE ANSWERED:

WHICH FOREIGN MARKETS WARRANT DETAILED INVESTIGATION?

↓

STAGE TWO

ASSESSMENT OF INDUSTRY MARKET POTENTIALS.

KEY QUESTION TO BE ANSWERED:

WHAT IS THE AGGREGATE DEMAND IN EACH OF THE SELECTED MARKETS?

↓

STAGE THREE

COMPANY SALES POTENTIAL ANALYSIS

KEY QUESTION TO BE ANSWERED:

HOW ATTRACTIVE IS THE POTENTIAL DEMAND FOR COMPANY PRODUCT /SERVICES?

Fig. 5.1: A Sequential Process of Researching Foreign Market Potentials.

Source: Czinkotta, M. R. et al (2002). *International Business* (6^{th} ed,). USA: Southwestern Thompson learning.

3.5 Conducting Secondary Research

Conducting secondary research entails:

- Identifying sources of data
- Selection of secondary data
- Interpretation and analysis of secondary data.
- Data privacy.

Identifying Sources of Data
Secondary data can be obtained from:

- Government
- International organisation
- Service organisation
- Trade association
- Directories and newsletters
- Electronic information services.

Selection of Secondary Data
Secondary data are readily available, cheap and quick to get. Secondary data should be evaluated as required to discover:

- The quality of their source
- How recent they are
- Relevance to task at hand

Interpretations and Analysis of Secondary Data
Secondary data, when collected may not be so useful not until they are converted into information. They are used as proxy information to arrive at conclusions.

Data Privacy
Data collected must be guarded jealously because a lot of information collected is sensitive.

3.6 Conducting Primary Research

Primary data are obtained by a firm to fill specific information needs. Czinkotta etal (2002) went further to buttress that a typical primary research intends to answer such clear-cut questions such as:

- What are the sales potential for our measuring equipment in Malaysia?
- How much does the typical Greek consumer spend on fast food?
- What effect will a new type of packaging have on green consumers in Norway?
- What service standards do industrial customers expect in Japan?

Conducting primary research takes decision in the following areas:

Industrial versus Consumer Sources of Data
A decision must be arrived at as to whether the research is going to be based in an industrial or consumer product area. In a consumer market, the population is large and the population in an industrial market is less. If research is done in an industrial market, differences between users and decision makers are important because of their personality outlook and their evaluative criteria. It means that you must determine the focus of the research because it is important to have a successful completion of your research.

Determination of the Research Technique
It is interesting to know that there are a lot of factors to be considered before selecting a research technique. They include:

- Objective of the data sought.
- Is data subjective or objective?
- Is the data collected in the real world or controlled environment?
- Is it historical factors?

Once all these are determined you can choose any of the following techniques of research.

Interviews: Major disadvantage is that bias can set in.

Focus group: A group of knowledgeable people are gathered for a limited period of time (two to four hours), with about seven to ten participants, a topic is introduced and it is discussed.

Observation: It requires the researcher to play the role of a non- participating observer of activity and behaviour.

Surveys: As defined by Czinkotta et al (2002), the survey is usually conducted via questionnaires that are administered personally by mail, or by telephone. Use of the survey technique presupposes that the population under study is accessible and able to comprehend and respond to the question posed through the chosen medium.

Experimentation: It determines the effect of an intervening variable and helps establish precise cause-and-effect relationships. It is difficult to implement in international research; it faces the task of designing an experiment in which most variables are held constant or are comparable across cultures.

3.7 The International Information System

The international information system is defined as the systematic and continuous gathering, analysis and reporting of data for decision-making. (Czinkotta et al 2002).

These data must have the following characteristics:

- Relevance
- Timely
- Flexible
- Accurate
- Exhaustive
- Consistent
- Convenient

It has been discovered that the use of information system is increasing greatly, especially in export field because most companies establish export complaint systems.

There are three ways in which an information system can be enriched. This includes:

Environmental Scanning
It promotes a customer's information in political, social and economic affairs internationally, or changes attitudes of public institutions and private citizens on possible upcoming alteration.

Delphi Studies
It is a means for aggregating the judgments of a number of experts who cannot come together physically (Czinkota etal, 2002). This type of research clearly aims at qualitative measures by seeking a consensus from those who know rather than average responses from many people with only limited knowledge.

Scenario Building
Czinkotta et al (2002) believe that information obtained through environmental scanning or Delphi studies can then be used to conduct a scenario analysis. One approach involves the development of a series of plausible scenarios that are constructed from trends observed in the environment. Another method consists of formally reviewing assumptions built into existing business plans and positions. Subsequently, some of these key assumptions such as economic growth rates, import penetration, population growth and political stability can be varied by projecting variations for medium to long-term period. With this, completely new environmental conditions can emerge. The conditions can then be analysed for their potential, domestic and international impact on corporate strategy.

Self-Assessment Exercise
Discuss in detail five research techniques.

4.0 Conclusion

Research is the key to international business success. The process and the procedure must be properly followed. Any attempt to shortcut international research will lead to a company's disaster. Constraints of time, resources and expertise are the major inhibitions to international research.

5.0 Summary

This unit looked into the definition of international research, factors that affect international research, research techniques and ways of gathering data.

6.0 Self-Assessment Exercise

Going into Ghana market to sell convenient goods, what are the available research techniques for you?

7.0 References/Further Reading

Czinkotta, M R, Ikka, A. R & Michael H. (2002). *International Business* (6th ed.). USA: Southwestern Thompson learning.

Ketler, P. (1997). *Marketing Management-Analysis, Planning, Implementation and Control* (9th ed.). New Jersey: Prentice-Hall.