International Trade & Investment
3rd August 2018.



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NIGERIA: DEVELOPMENTS IN INVESTMENT AND INTRAREGIONAL TRADE IN AFRICA[1]

INTRODUCTION

Nigeria's decision not to sign up to the framework agreement for establishing the African Continental Free Trade Agreement ("the AfCFTA") came as a surprise and sparked a lot of debate and criticism from stakeholders within the sub-continent and beyond. This criticism is partly attributable to Nigeria's acknowledged position as the largest economy in Africa and the 26th largest in the world and concerns regarding the effectiveness and success of the AfCFTA with Nigeria's absence. Nigeria's economic and trade policy decisions are not only critical to its development, but to its relationship with Africa and the rest of the world.

Regional and economic integration is viewed by experts as a panacea for addressing the continent's economic challenges with the enhanced coordination and coherence such a massive trading body would inject into efforts to leverage on the continent's population strength and diverse attributes in improving intraregional trade and increasing investment inflow. Nigeria realizes the importance of developing countries such as itself to capitalise on the benefits and increasing significance of trade and investment linkages both internationally and intra-regionally some of which are growth, development and quality job creation.

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However, Nigeria still faces significant development challenges despite being the largest economy in Africa. According to the IMF, Nigeria's economy ranks the highest in Africa with a total GDP of $408.61 billion.[2] This is largely due to the rebasing of its economy to include the telecoms industry, entertainment, financial services, Information technology and manufacturing sectors. However, with a growing population of over 190 million people, Nigeria continues to underperform behind the curtains of its shining title as "giant of Africa", as a sizeable percentage of its population are poor with little to no opportunities for access to basic amenities, economic stability or quality jobs.

NIGERIA AND INTERNATIONAL TRADE

Nigeria has always understood the significance of its policies and actions in international trade. It was one of the few African countries that joined the GATT/WTO regime in the mid-1990's[3] and has continuously sought ways to use international trade as a catalyst for activating its vast economic potential, both locally and within the African continent. Nigeria's prospects for improved global trade and economic indicators were adversely affected by the downturn in the global oil market from the 3rd quarter of 2014, as over 70 percent of government revenue and 90 percent of export earnings were petroleum dependent.[4] The 2016 economic recession, which occasioned a depletion of the country's reserves to a deficit of US$15.4 billion in 2015 from a surplus of US$10.8 billion in 2011, resulted in the implementation of foreign exchange controls on 41 categories of imports.[5]

The recession however compelled economic diversification away from its oil-dependent economy, and Nigeria's Economic Recovery and Growth Plan[6] for 2017–2020 aims to concentrate such diversification initiatives in the areas of solid mineral mining, construction,

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2 IMF Data Mapper available at: http://www.imf.org/external/datamapper/NGDPD@WEO/PAK/BGD/EGY/IDN/IRN/MYS/NGA/TUR/ITA accessed on 16 July 2018.

3 Since 1 January 1995 regarding the WTO, and from 18 November 1960 in connection with GATT.

4 TPR (June 2017), "Nigeria's economy recorded strong growth of about 7% per year in the decade leading up to 2015, thanks to high world prices of oil and natural gas. However, the sharp decline in oil prices since the third quarter of 2014 has posed major challenges to the economy, which significantly slowed down to 2.7% in 2015 and further went into recession in 2016 with a growth rate of 1.5%. Exports declined by 45%, led by a sharp fall in revenue from oil from 23.4% of GDP in 2011 to 3.7% in 2015. Low export receipts (mainly from oil) subsequently induced lower domestic demand that has impacted the non-oil sector. Weaknesses in the business environment (e.g. unreliable and expensive electricity supply, and governance issues, including in the oil sector) have also played their part." *https://www.wto.org/english/tratop_e/tpr_e/s356_sum_e.pdf*, accessed on 18 June 2017.

5 Covering commodities like rice, soap and personal travels for healthcare and education.

6 See, "Nigeria's Economic Recovery and Growth Plan (ERGP): a strategy for economic diversification & sustainable growth", published by PWC on 24, April 2017, available at: https://www.pwc.com/ng/en/assets/pdf/economy-alert-april-2017.pdf, accessed on: 8th August 2018.

agriculture and manufacturing against the backdrop of an enabling environment of industrial competitiveness, private sector-led economic growth and sustainable development efforts.[7] This effort seems to be yielding some positive results, because according to a report by the National Bureau of Statistics (NBS), Nigeria's trade balance improved by 20.95% to N2.18trn ($7.14bn) in the first quarter of 2018, as the country recorded increases in both exports and imports.[8] The country actually sailed out of economic recession in the second quarter of 2017 with a marginal 0.55 percent GDP growth and has so far sustained this positive outlook.[9]

THE CASE FOR INTRAREGIONAL TRADE

The undeniable consequence of a globalised world economy is that no single economy can thrive meaningfully or is sustainable over the long term without external trade. Trade enables the exchange of goods and services and is also a reflection of the health and buoyancy of the economy. In terms of the destination of exports, Africa's trade regime works against the continent as it only trades 18% of its locally manufactured goods with other African countries.[10] For Africa to achieve sustainable socio-economic development, intraregional trade and integration is inevitable. Intraregional trade will enhance development as it will be an aggregation of African countries into one large market that can deliver economies of scale, improved competitiveness, foreign direct investment (FDI) and poverty reduction.[11] On a different but complementary note, regional integration helps in addressing non-economic problems such as recurring conflicts and political instability as well as increasing the continent's bargaining power on the multilateral front.[12] Intraregional trade within the continent also serves as a buffer against the negative impact of global trade on developing economies as articulated within the WTO multilateral trading platform.[13] In 2017, the Trade

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[7] TPR 2017 [Nigeria] issued in June 2017.

[8] Proshare: *Nigeria's Foreign Trade: Review and Implications,* available at https://www.proshareng.com/news/Nigeria%20Economy/Nigeria%E2%80%99s-Foreign-Trade---Review-and-Implications-/40375 accessed 29 July 2017.

[9] See http://nigerianstat.gov.ng/elibrary, accessed July 31st 2018.

[10] The Economist: *Forty-four African countries sign a free-trade deal* available at: https://www.economist.com/middle-east-and-africa/2018/03/22/forty-four-african-countries-sign-a-free-trade-deal accessed 29 July 2018.

[11] An Independent Study on the Potential Benefits of AFCTFA on Nigeria available at https://www.tralac.org/documents/resources/by-country/nigeria/2029-an-independent-study-on-the-potential-benefits-of-the-afcfta-on-nigeria-study-report-may-2018/file.html accessed 29 July 2018.

[12] Ibid p.7.

[13] See generally, John Onyido and Bolaji Gabari, *International Trade Under the GATT/WTO Multilateral Regime vis-à-vis Developing and Least Developed Economies: Spotlight on Nigeria* in A REVIEW OF CONTEMPORARY LEGAL TRENDS IN NIGERIAN LAW, LexisNexis 2017, pp.

Policy Report on Nigeria for 2017 showed that Nigeria implemented a largely liberal trading policy, with 100 percent of its economic sectors open to foreign ownership, except for the petroleum sector where 55 percent of joint-ventures and production sharing contracts are government owned.[14] The Report also showed that import and exports in the 1st, 2nd and 3rd quarters of 2017 were largely between South Africa, being its main partner in Africa. Within the Economic Community of West African States (ECOWAS), Côte d'Ivoire is Nigeria’s top trade partner in terms of imports, while Togo maintained top position in terms of Nigeria's exports to ECOWAS countries.[15] Outside the continent, Europe remained Nigeria's major regional trading partner both in terms of exports and imports followed closely by Asia. For exports, India and the United States are Nigeria’s highest trading partners while China and Belgium occupy that position for imports.[16] The low levels of intra-African trade represent a significant loss of opportunity and this is the problem the AfCFTA seeks to remedy. The AfCFTA already has 44 African Union member states as signatories, all united with the common goal of creating a single market followed by free movement and a single currency union. The UN Economic Commission for Africa (UNECA) has estimated the agreement's implementation could increase intra-African trade by 52 percent by 2022, compared with trade levels back in 2010.[17]

INVESTMENTS

Whilst Nigeria is still mulling over the prospects of joining the AfCFTA and improving on its intra-regional trade policies, the country has remained very keen on making its economic environment conducive for foreign investment. For example, the efforts of the Presidential Enabling Business Environment Council (“PEBEC”), has seen Nigeria move up a few notches on the World Bank’s ease of doing business index, by tackling issues such as shortening the time in registering a business, enabling an increase in the efficiency and transparency of government ministries, departments and Agencies and many more.[18]

139-169, available for purchase at: http://www.spaajibade.com/resources/wp-content/uploads/2017/12/Book-Launch-Flyer.pdf.

14 *Id*. See, the Nigerian Oil and Gas Industry Content Development Act, No.2 of 2010.

15 TPR 2017 [Nigeria] issued in June 2017.

16 Ibid.

17 Aljazeera News, *African Continental Free Trade Area: What you need to know*, available at https://www.aljazeera.com/news/2018/03/african-continental-free-trade-area-afcfta-180317191954318.html accessed on 27th July 2018.

18 See Dolapo Bolu and Oluwasolape Owoyemi, *A Review of the NIPC’s Online Investment Guide “iGuide” - Key Features* available at: http://www.spaajibade.com/resources/wp-content/uploads/2018/06/NIPC-Online-Guide-A-Review-Dolapo-Solape.pdf accessed 2nd August 2018.

CONCLUSION

The importance of boosting intra-African trade and investment is of great significance to achieving a prosperous Africa. Levels of trade in Africa need to be increased drastically in order to catch up with other regions. Though Nigeria has valid fears such as the dumping of inferior goods and the undermining of local businesses,[19] Nigeria has more to lose if it deliberately shuts itself out from the possibilities that come along with intra- African trade and waiting indefinitely for all reservations to be satisfactorily resolved may derail an otherwise beneficial initiative. The foundation of the AfCFTA is the promotion of industrialization, sustained growth and development in Africa. The agreement is being promoted based on its potential to "boost intra-African trade, stimulate investment and innovation, foster structural transformation, improve food security, enhance economic growth and export diversification, while harmonizing the overlapping trade regimes of the main regional economic communities."[20] These laudable objectives tie in perfectly into the vision of the Economic Recovery and Growth Plan ("ERGP") of Nigeria, which is to turn around the country's economic performance and lay the foundations for sustained inclusive growth.

While an UNCTAD report seems to indicate that the immediate negative impact of tariff elimination on a broad spectrum of products may lead to a depletion of trading revenue within the near term, an overall projected growth of about $16.1bn annually is envisaged.[21] Others have raised concerns about the uneven distribution of any perceived benefits without due consideration for the individual productive capacities of member states.[22] Still others have pointed out that Africa's heterogeneous posture, divergent levels of industrial development, pre-existing bilateral agreements with other non-African countries and

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[19] The Manufacturing Association of Nigeria and the Nigerian Labour Congress continue to raise concerns about the possible negative impact on local industries and manufacturing capabilities without proper cost benefit analysis based on a proper study. It has criticized the recently conducted study by the Nigerian Office for Trade Negotiations NOTN as falling short of the requisite standards and information necessary for the country to make an informed decision. See https://www.thisdaylive.com/index.php/2018/07/31/why-manufacturers-are-opposed-to-afcfta/, accessed July 31st 2018.

[20] UNECA publication: ASSESSING REGIONAL INTEGRATION IN AFRICA VIII available at: https://www.uneca.org/sites/default/files/PublicationFiles/aria8_eng_fin.pdf accessed 29th July 2018.

[21] http://unctad.org/en/PublicationsLibrary/ser-rp-2017d15_en.pdf.

[22] African countries with strong manufacturing bases like Kenya, South Africa and Egypt are expected to gain enormously from the AfCFTA initiative.

conflicting regional economic communities may pose real problems to the proper take-off and effectiveness of the AfCFTA.[23]

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[23] See Landry Signe, *Africa's big new free trade agreement, explained*, available at: https://www.washingtonpost.com/news/monkey-cage/wp/2018/03/29/the-countdown-to-the-african-continental-free-trade-area-starts-now/?noredirect=on&utm_term=.a70ca5751b13, accessed July 31st 2018.