Nigeria’s hesitation in joining the AfCFTA train: the real problems beneath

By:

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Introduction

With Gambia becoming the 22nd country to ratify the AfCFTA, the AfCFTA entered into force on May 30 2019. However, Nigeria’s continued its abstention from ratifying the AfCFTA. This is significant, considering that Nigeria’s economy is regarded as the largest in Africa (and the 31st largest in the world).

While the country’s chief executive had initially given hopes that the Agreement would be signed in a short time, this position has since been backtracked, with his comments on refraining from any agreement which could “undermine local manufacturers and entrepreneurs, or may lead to Nigeria becoming a dumping ground for finished goods”. This is against a backdrop of lobbying by the country’s manufacturing and labour unions, and fears expressed that signing the Agreement could undermine local production and accompanying job losses

Nigeria's fears: myth or fact?

If a country with a smaller economy expressed these reservations, these reasons may suffice given that they should be wary of having their economies gobbled up by their larger trade partners. But this is not the case with Nigeria; with a 2018 gross domestic product (GDP) the size o f$US375.8 billion and a population of over 200 people (steadily increasing at the rate of 2.6% per annum), Nigeria is well poised to at the forefront of intra-African trade, if the opportunity is well utilised. Beyond even its abundant natural resources, Nigeria's greatest asset remains its human resources, many of whom are highly educated. The challenge which Nigeria labour will face in the long run – independent of the AfCFTA - is not from the projected external influx of 'better-qualified' non-Nigerians to take up existing jobs. Rather, it is from the absence of jobs within the country, due to the difficulty of enterprises thriving as going concerns in Nigeria.

Despite genuine efforts of the present administration through the Presidential Enabling Business Environment Council (PEBEC), Nigeria still ranks as 146 (out of 190 economies) in doing business, which is a far cry from some of its 'smaller' neighbours, such as Rwanda and Kenya. This difficulty in doing business (coupled with onerous economic policies) has seen large multinationals exit the country in recent times. It is fixing these difficulties, and enabling private companies to continue to do business in the country that will keep job losses low, and not the blank refusal to join the AfCFTA.

The AfCFTA on the other hand opens the possibility of wider intra-African employment opportunities for Nigerian citizens, well beyond shores of Nigeria. With a 2018 remittance of $US25 Billion from Nigerians working outside Nigeria (contributing to about 6.1 of the nation's GDP), it is becoming apparent that Nigeria's greatest export in the near future is its people. Joining the AfCFTA will increase the opportunities for Nigerians gaining employment in other countries of Africa, while still primarily contributing to the Nigerian economy. This is in addition to multinationals coming into Africa primarily considering the unparalleled size of labour available in the country in establishing their African outfits, and the market for consumers of which Nigeria provides a solid base for high demand. Thus, the AfCFTA will create more job opportunities than losses for the majority of Nigerians.

Regarding the concern of a surge in imports and reduction in manufacturing, perhaps the threat which should be feared (and its solution) is more internal than external. It goes without saying that the AfCFTA will lead to increased competition in production, as there will be a race within the member countries to ensure that their products stay front-shelf, for both intra and inter African consumers. This in turn will encourage innovation and result in advancement in quality of goods and services being provided.

The solution however is not to avoid healthy competition – and invariably, improved quality and quantity of goods and services – by refusing to join the AfCFTA train. Rather, and as a matter of urgency, the focus should be on setting in place adequate structures to ensure that Nigeria continues to compete with its neighbours in manufacturing, and the export of goods and services. This is because irrespective of whether or not it joins the AfCFTA, Nigeria is set to face stiff competition in finding (and sustaining) the market for its exports, since the implementation of the AfCFTA will bolster member countries to increase their pace of economic advancement, in order to guarantee the market for their own exports.

Unfortunately, the present state of her infrastructure is not adequate to enable Nigeria be totally (and successfully) self-sufficient, such that it may isolate itself and be totally reliant on only its products. A basic example is in Nigeria being the largest exporter of oil in Africa, and 6thlargest in the world. Yet, the oil is exported and re-imported as finished oil, due to the unavailability of sufficient working refineries within the country to refine the crude oil internally.

From both ends of the AfCFTA spectrum, the only way out for Nigeria is to provide an improved enabling environment for increased manufacturing, and economic development. To this end, there will be need for more investments in infrastructure (such as electricity supply, roads and water projects), reduction in bureaucratic bottlenecks that stifle doing business locally, incentives for private investments through increased public-private-partnerships (PPPs), and ensuring actual (and timely) implementation of policies geared towards overall economic development.

Local commercial hubs – such as the thriving informal textile industry in Aba, Abia State – could be improved upon and standardised, so that they can compete with international counterparts. Lessons may be drawn from China and Dubai in this regard, and with time, these commercial hubs could evolve into commercial-tourist destinations. Upon improving its infrastructure, Nigeria could very easily leverage its economic base in distributing its products within Africa and internationally. This is already the case in its ‘soft’ products, such as the Nigerian film and music industry, which has seeped into all nooks of African continent, and is largely received internationally. This can be replicated in other aspects, once the foundation is properly laid internally.

It is important to reiterate that with or without its joining the AfCFTA, the foregoing are problems that Nigeria would ordinarily have to resolve, in order to continue to thrive as a sovereign economic nation, and reclaim its place as the Giant of Africa. Nigeria could join the AfCFTA train, while simultaneously fixing its internal deficits to ensure that its fears do not crystallize. Simply refusing to join the AfCFTA is only a delay in acknowledging what needs to be done, and doing it.