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PROSPECTS FOR NIGERIA'S TRADE PERFORMANCE WITHIN THE AFRICAN CONTINENTAL FREE TRADE AREA

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Abstract

The African Continental Free Trade Agreement (ACFTA) is touted to hold the potential for rapid and sustainable development for the African continent through trade-driven growth. It is believed that the agreement could increase Foreign Direct Investment into participating countries and also facilitate internal diversification, raise employment, and possibly ameliorate poverty and inequality. Despite these possibilities, there are concerns that the ACFTA may shrink tariff revenues and intensify external competition for local industries in Nigeria. Given these concerns, this paper explores the prospects for Nigeria's sustainable competitiveness and discusses avenues for enhancing her trade performance within the ACFTA. The main conclusions from this study are that human capital development, infrastructural improvement, targeted monetary and fiscal policies are some strategies that could position Nigeria to harness the benefits of the ACFTA.

Keywords: Export-led growth; Free trade; Trade competitiveness.

INTRODUCTION

The African Continental Free Trade Area (ACFTA) is widely regarded as a potential driver of Africa's economic growth and sustainable development in line with the Global Sustainable Development Goals (SDGs) and the Africa Union Agenda 2063 (Abrego et al., 2019; Ajibo, 2019; Saygili et al., 2017). Its potential lies in attracting foreign direct investment, increasing productivity and capacity utilization, and unlocking hitherto untapped opportunities in the continent. However, only 44 of the 55 African member states agreed to sign the agreement when it came into being on 21st of March 2018. Nigeria and South Africa, the two biggest economies in Africa, along with 9 others withheld assent to the agreement until later dates. South Africa and 4 more states signed the agreement on 21st July 2018, while Nigeria insisted that she must consult and bring on board her Nigerian Manufacturer's Association (MAN) which represented about 3,000 Nigerian manufacturing firms, and the Nigeria Labor Congress which regarded the African Continental Free Trade Area (ACFTA) Agreement as extremely unfavorable to Nigeria's economic interest.

The resistance of Nigeria's key stakeholders to trade liberalization in the case of ACFTA is nothing new as there has been increased global disaffection with free trade and multilateral agreements in recent times (Saddiqui, 2015). Yet sizeable body of evidence points to the important role of unfettered trade in a country's growth and development (Sakyl et al., 2017; Were, 2015; Zahonogo, 2016;). Trade openness facilitates foreign direct investment inflows, development of competitive advantage in specific manufactured exports, poverty reduction through creation of new jobs and faster economic growth. The export-led growth strategy adopted by China, India, Taiwan, and South Korea in recent history shows that free trade expands markets for goods and services, thereby creating jobs, raising living standards, and eradicating poverty and inequality.

The ACFTA presents a unique opportunity for Nigeria to diversify its production base and build a globally competitive economy. However, entering the ACFTA would require eliminating Nigeria's tariff and non-tariff barriers. As observed by the US Department of Commerce (2021), "Nigeria employs a combination of tariffs and quotas for the double purposes of taxing international trade for revenue generation and protecting local industries from competitive imports". Hence a regime of complete or partial removal of tariff and non-tariff barriers may constitute transition costs to Nigeria. On the other hand, unfettered free trade in ACFTA may give rise to welfare gains in form of access to bigger markets by local firms, lower import prices and access to greater variety of imports, reduced production cost arising from lower prices of imported raw materials and intermediate goods, and increased competitiveness of local firms (Saygili et al., 2017).

Given the foregoing, the paper explores the prospects for Nigeria's trade performance within the African Continental Free Trade Area (ACFTA) in the light of possible gains and transition costs. As Africa's biggest economy, the focus on Nigeria further enhances the understanding of the impact of the ACFTA and provides more evidence to domestic stakeholders whose misgivings initially delayed unanimous assent to the agreement. The remaining sections of the paper are organized as follows. Section 2, literature review; Section 3, Nigeria's trade performance in retrospect; Section 4, prospects for Nigeria's sustainable competitiveness in ACFTA; Section 5, enhancing Nigeria's trade performance in ACFTA; and Section 6, conclusion and recommendation.

LITERATURE REVIEW

Historically international trade has been progressively influenced by the power of the state, multinational corporations, and the ascendancy of information technology. The economic objective of the state at its feudal and colonial stages of development was the capitalist pursuit of trade surplus mostly through protectionism. The scepter of reciprocal protectionist policies by competing states and the attendant harm to international trade gave rise to various classical theories of trade, starting with Smith's



theory of absolute advantage, later refined into Richardo's comparative advantage, and Heckscher-Ohlin's factor proportions (Bouare, 2009; Leamer, 1995). The implied and rather problematic assumption of production efficiency in the exporting state by Smith and Richardo was resolved in Heckscher-Ohlin's factor proportion theory which explains that the exporting state would produce goods whose inputs are cheaper than obtainable in other states.

However, the celebrated Leontief Paradox that a capital rich country may have lower capital-labor ratio in exports than in imports provided contrary evidence to the Heckscher-Ohlin's proposition in that cheap factor inputs may not necessarily confer a competitive advantage. With the advent of big multinational corporations and associated international capital flows, classical trade theories became inadequate for analyzing the emerging complexities of modern international trade. In response to this challenge, various micro-level trade theories emerged after the Second World War with focus on product life cycle (Vernon, 1966), country similarity (Linder, 1961), national competitive advantage (Porter, 2000), strategic rivalry (Krugman, 1996; Lancaster, 1980), and globalization (Dunning, 2000), among others. Product life cycle theory splits product development physiology into infant, adult and old/standardized production stages, where the infant stage of production is entirely in the domestic state while simultaneous production across states become the case at the old stage of the product.

However, the occurrence of all the identified production stages simultaneously across countries in modern international trade invalidates the distinct product life cycle theory. Alternatively, country similarity theory explains consumer behavior and preferences among countries in terms of similarity in their stages of development. A product would be exported to international markets with similar consumer taste and preferences subject to the limitation imposed by trade barriers. These trade barriers include patents and intellectual property, research and development cost, product brand and uniqueness, industry experience and favorable access to inputs. Given these barriers, the global strategic rivalry theory explains that entry into international markets is determined by national competitiveness. In this regard, Porter's national competitiveness advantage theory draws on Heckscher-Ohlin's factor proportions and Ricardo's classical comparative advantage to explain why some countries are more competitive in some specific industries than in others. A country's sustainable competitiveness would depend on its creativity and innovation, available technology, domestic resources, firm characteristics, logistics and industrial complementarity, and market conditions.

According to Robins (2018), the advent of the internet and improvement in supply logistics have revolutionized international trade beyond earlier theoretical postulates. The astronomical expansion of the markets for goods and services across international

borders (aided by powerful search engines and organized networks of suppliers and consumers) has greatly lowered market entry costs and increased beneficial welfare effects. The internet and improved transport logistics provide a platform for producers of goods and services to be in different locations from consumers of goods and services. However, the literature distinguishes between trade in "goods" and trade in "services", with the production and consumption of the later done simultaneously, not requiring that producers and consumers be present in the same location (Sabagh, 2008; Feund & Weinhold, 2004). It is generally believed that the internet has benefitted trade in services more than trade in goods (Yousefi, 2018).

In general, studies point to the beneficial effects of international trade by way of higher economic growth, inequality reduction and general welfare improvement (Abrego et al., 2019; Dennis, 2006; Dicaprio et al., 2017). There is also the benefit of increased inflow of foreign direct investment to member states (Nwosu et al., 2013). According to Saygili et al. (2017), some of the anticipated gains in the ACFTA include bigger and integrated regional market, economies of scale and access to cheaper raw materials, improved regional value chain and integration to global value chain. In specific terms, Mukwaya (2019) found that regional trade in Africa led to increased manufacturing export by 72% between member countries within 12 years of ratifying a regional trade agreement.

NIGERIA'S TRADE PERFORMANCE IN RETROSECT

Nigeria' global trade performance was largely unstable during the period 2000-2020, with highest exports of US\$ 103.3 billion recorded in 2011. Exports declined by 42% to US\$ 41.5 billion in 2020. As shown in Figure 1, imports consistently exceeded exports from 2000 up to 2010, while exports exceeded imports beyond 2010 up to 2020.

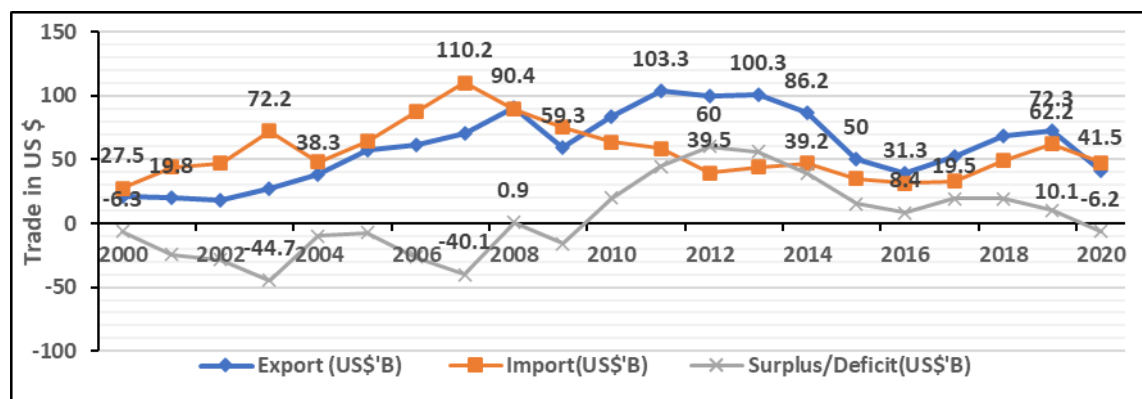


FIG 1. NIGERIA'S TRADE WITH THE WORLD (US\$): 2000-2020

Source: Author's computation from World Bank Trade Statistics (2021).

Note: Figures are for trade in goods and services, excluding petroleum products.

In general, Nigeria had persistent trade deficit between 2000-2009, mainly due to macroeconomic shocks from dwindling crude oil export revenue during the period. As evident in Figure 2, the period under study was characterized by fluctuating international crude oil prices which were generally low between 2000-2009, relatively



high from 2010 to 2014, and again low from 2015 up to 2020.

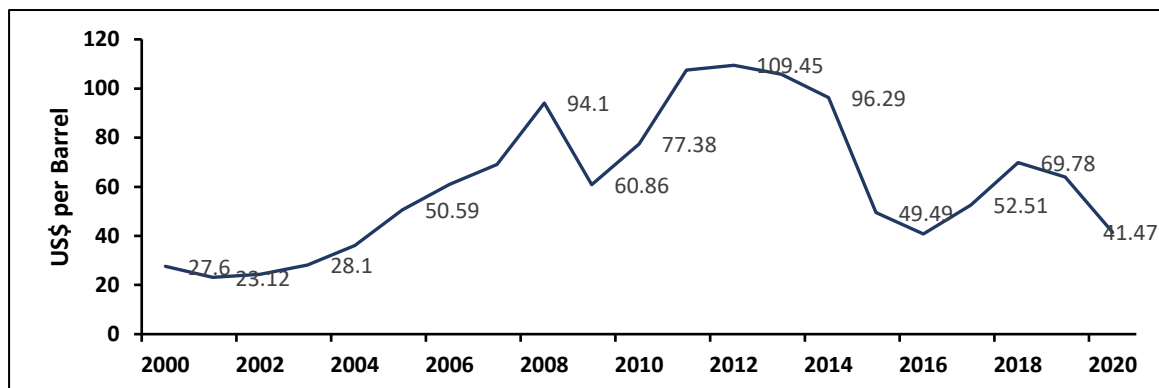


FIG 2. ANNUAL AVERAGE OPEC CRUDE OIL PRICE (US\$): 2000-2020

Source: Author's computation from World Bank Trade Statistics (2021).

The robust oil price range between 2010-2014 explains the sharp increase in Nigeria's export trade openness (Figure 3), with gross exports against GDP rising from 18.1% in 2013 to 118.4% in 2014. Beyond 2014, export trade openness oscillated between 36% and 8.8% of GDP, while import trade openness was generally lower. Given that trade openness of most African countries ranges from 38-140% (Abrego et al., 2019), it can be said that Nigeria's trade openness is comparatively lower than the African average. This lends credence to the claim that Nigeria's trade and non-trade barriers are among the highest on the African continent (US Department of Commerce, 2021).

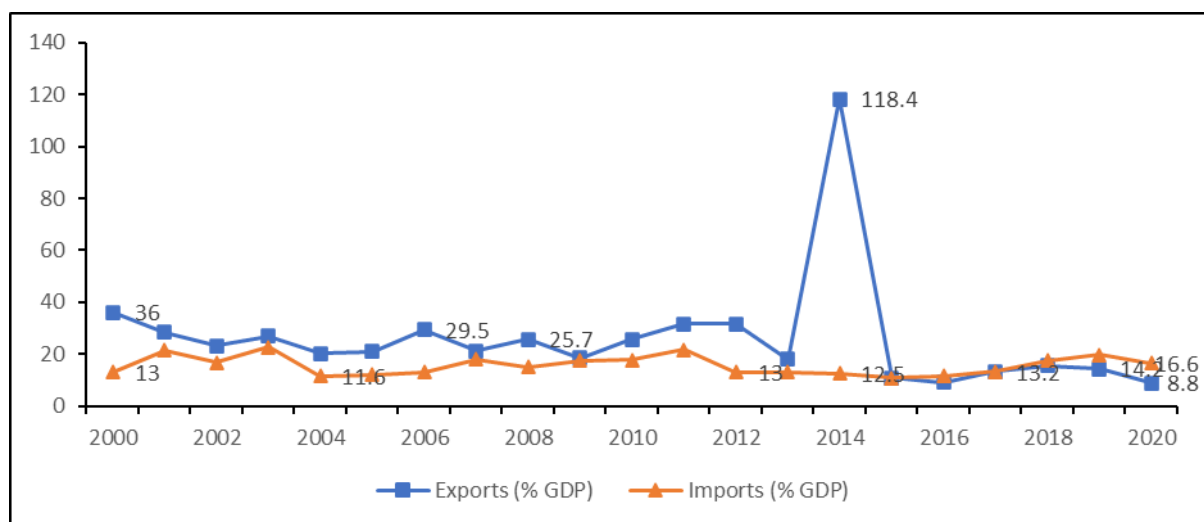


FIG 3. NIGERIA'S TRADE IN GOODS & SERVICES AS PERCENTAGE OF GDP: 2000-2020

Source: Author's Computation from World Bank Trade Statistics (2021).

Abrego et al. (2019) observed the multiplicity of trade agreements in the African continent with African trade categorized into:

- 1) Bilateral trade agreements with individual African countries and countries outside the continent, covering agreements under general system of

preferences (GSP), duty free trade for least developed countries (LDC), and the African growth and opportunity act (AGOA) on ease of entry to the US market,

2) Regional trade agreements between African countries and those outside Africa, covering economic partnership agreements (EPAs) between the EU and African regional groupings, and

3) Intra-African trade agreements, regional economic communities (REC) and sub-regional economic blocks. In this regard, Table 1 shows that the Economic Community of West Africa (ECOWAS) consists of countries with British and French colonial history. Countries with French colonial past (Benin, Burkina Faso, Mali, Niger, Senegal, and Togo) are also in the African Financial Community (French Franc) Zone along with Central African Economic and Monetary Community (Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, and Gabon).

TABLE 1. REGIONAL TRADE AGREEMENTS IN AFRICA, 2019

Economic Comm. of West African States (ECOWAS)	West African Monetary Zone	African Financial Community (Franc Zone)		Economic Community of Central African States (ECCAS)	Tripartite Free Trade Area			Maghreb Union
		West Africa Econ. and monet. Union	Central African Economic and Monetary Comm.		Southern African Devel. Comm. (SADC)	East African Comm. (EAC)	Others	
Benin Burkina Faso Mali Niger Senegal Togo Cote-d'Ivoire Sierra-Leone Guinea Liberia Gambia Ghana Nigeria Cape-Verde	Sierra Leone Guinea Liberia Gambia Ghana Nigeria	Benin Burkina Faso Mali Niger Senegal Togo	Cameroon Central African Republic Chad Congo Equatorial Guinea Gabon	Cameroon Central African Republic Chad Congo Equatorial Guinea Gabon Sao Tome and Principe Angola Burundi Rwanda Democratic Republic of Congo	Mozambique Madagascar Mauritius Seychelles Botswana Eswatini South Africa Namibia Lesoto Malawi Zambia Zimbabwe Tanzania Angola Democratic Republic of Congo	Tanzania Democratic Republic of Congo Burundi Rwanda Kenya Uganda	Libya Egypt Djibouti Eritrea Ethiopia Somalia South Sudan Sudan Comoros	Libya Algeria Mauritania Morocco Tunisia

Source: Partly adopted from Abrego et al. (2019: 7).

Of the three sub-regional groupings within ECOWAS (Mano River Union, West African Economic and Monetary Union, and West African Monetary Zone), Nigeria belongs to only the West African Monetary Zone along with Sierra Leone, Guinea, Liberia, Gambia, and Ghana. It is interesting to note that all countries in the Central African Economic and Monetary Community are also in the Economic Community of Central African States. The Democratic Republic of Congo in Economic Community of Central African States is equally in Southern African Development Community,

while the Tripartite Free Trade Area covers sub-regional groupings of Southern African Development Community and East African Community among others.

In terms of regional trade performance, Nigeria recorded better trade performance with ECOWAS, ECCAS, and SADC than with Maghreb and the EAC (Figure 4). In 2014, Nigeria had trade surplus of about US\$ 4,720,000 with ECOWAS; US\$ 3,986,000 with SADC and US\$ 1,541,000 with ECCAS; indicating the importance of Nigeria's trade with these regional economic blocks in that preponderant order. By 2020 however, Nigeria's trade surplus fell to US\$ 1,973,000 with ECOWAS; US\$ 1,620,000 with SADC and US\$ 1,524,000 with ECCAS. Thus, ECOWAS remained Nigeria's most important regional trading block in terms of trade surplus during the period, followed by SADC.



FIG 4. NIGERIA TRADE WITH AFRICAN TRADE BLOCKS (US\$'000)

Source: Author's computation from World Bank Trade Statistics, 2021. Figures are for trade in goods and services, excluding petroleum products.

The totality of Nigeria's trade performance in Africa during the period, though positive, remained unstable (see the last graph in Figure 4). Exports declined from US\$ 11,667,000 in 2014 to US\$ 4,914,000 in 2017, rising to US\$ 10,960,000 in 2019, then falling to US\$ 6,327,000 in 2020. On average, exports were US\$ 7,564,000 and imports US\$ 1,786,000, implying US\$ 5,778,000 average trade surplus within Africa during the period. With Nigeria's world export of goods and services at US\$ 6,949,247,370 in 2019 (World Bank, 2021), the average export figure of US\$ 7,564,000 within Africa during the period implies that Nigeria's export trade in Africa is a paltry 0.11% of world trade. Thus, the ACFTA presents a unique opportunity for Nigeria to improve on its trade performance in Africa.

Analysis of Nigeria's bilateral trade indicates Ghana, Egypt and South Africa were the major drivers of her trade performance out of the 9 major economies in Africa during the period (See Figure 5 and Table 2). Nigeria's net trade values with the countries in 2014 were: Ghana US\$ 825,000; Egypt US\$ 4,925,000; and South Africa, US\$ 3,995,000. However, net trade values with the countries by 2020 stood at: Ghana, US\$ 310,000; Egypt, US\$(180); and South Africa, US\$ 1,918,000. Average annual net trade values with the countries during the period 2014-2020 were: Ghana, US\$ 898,857; Egypt, US\$ 5,949,714; and South Africa, US\$ 2,343,571.

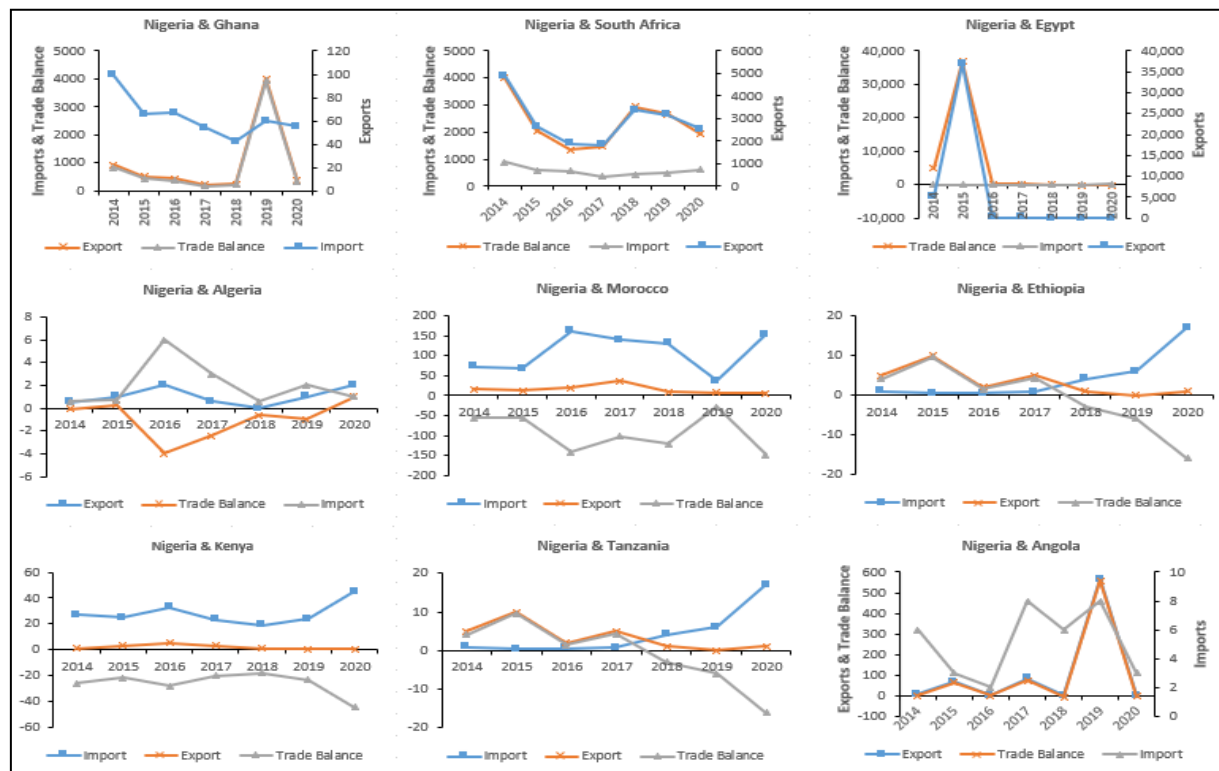


FIG 5. NIGERIA'S TRADE WITH MAJOR AFRICAN ECONOMIES (US\$'000)

Source: Author's computation from World Bank Trade Statistics (2021).

Note: Figures are for trade in goods and services, excluding petroleum products.

However, the comparably high net traded value with Egypt masks extreme trade instability. Apart from the first two years that Nigeria made appreciable exports to Egypt - 2014 (US\$ 5,016,000) and 2015 (US\$ 36,884,000), exports were persistently low in the remaining period - below US\$ 231,000 in 2016-2017, and just US\$ 2,000 in 2019 and 2020. Thus, South Africa remained Nigeria's most important trading partner in the period, followed by Ghana in terms of consistency of trade value.

Three important inferences can be drawn from the foregoing analysis of Nigeria's trade performance during the period. First, her trade with African countries was insignificant; a paltry 0.11% of world trade. Second, ECOWAS was Nigeria's most important regional trading block in terms of trade surplus, followed by SADC. Third, South Africa (the biggest economy in the SADC bloc) was Nigeria's most important bilateral trading partner, followed by Ghana in ECOWAS. These facts should inform

strategies for harnessing trade opportunities in the ACFTA.

TABLE 2. NIGERIA'S NET TRADING POSITION WITH SELECTED COUNTRIES (USD 000)

Import/Exports	2014	2015	2016	2017	2018	2019	2020
<i>Ghana</i>							
Imports	99	66	67	54	42	60	55
Exports	924	520	443	222	258	4,003	365
Surplus/(Deficit)	825	454	376	168	216	3943	310
<i>South Africa</i>							
Imports	903	588	554	355	436	481	619
Exports	4898	2,648	1,903	1,828	3,376	3,151	2,537
Surplus/(Deficit)	3995	2060	1349	1473	2940	2670	1918
<i>Egypt</i>							
Imports	91	89	90	72	123	118	182
Exports	5,016	36,884	230	207	72	2	2
Surplus/(Deficit)	4,925	36,795	140	135	-51	-116	-180

Source: Extracted from World Bank Trade Statistics (2021).

Note: Figures are for trade in goods and services, excluding petroleum products.

PROSPECTS FOR NIGERIA'S SUSTAINABLE COMPETITIVENESS IN ACFTA

The Nigerian economy is the largest in Africa with estimated GDP of US\$ 514.05 billion as of 2020. Among the 10 biggest African economies in Table 3, Nigeria has the 6th lowest nominal GDP per capita (US\$ 2.43) behind South Africa (US\$ 5.44) and Egypt (US\$ 3.83) the other two most dominant African economies. Nigeria's global competitiveness ranking of 48.3 in 2019 is 7th behind South Africa (62.4), Egypt (54.5) and her ECOWAS economic rival Ghana (51.2). However, Nigeria's Gini Coefficient of 35.5 is the 3rd lowest after Egypt (31.5). Compared to the 30.27 global average, the Gini Coefficients of South Africa (63) and Ghana (51.2) indicate some of the worst incidence of income inequality among the 10 biggest African economies.

Given the fact that Nigeria is the most populous economy in Africa, its comparably lower incidence of inequality indicates a potential for greater effective demand for goods and services than obtainable in the other African economies. This advantage is reinforced by its ready access by air, seaports, and fast-growing internet connectivity that has facilitated the introduction of the Nigerian Central Bank Digital Currency (CBDC), a first in Africa. Thus, there are bright prospects for Nigeria's international trade in the ACFTA. However, the limited size of the domestic markets of most of the African states in terms of income per capita coupled with large geographic distance and poor transportation network within Africa is a significant constraint to Nigeria's export drive within ACFTA.

TABLE 3. RANKING (IN PARENTHESIS) OF THE 10 BIGGEST AFRICAN ECONOMIES BY NOMINAL GDP, GLOBAL COMPETITIVENESS, INCOME DISPARITY AND ACCESS

Country	Nominal GDP (\$Billion), 2019	Nominal GDP Per capita (\$000) 2019	WEF Global Competitive- Ness Ranking 2019	Gini Coefficient (World Average: 30.27) 2021	Geographic Distance from Nigeria (Miles)	Access to Sea Port
Nigeria	514.05 (1)	2.43 (6)	48.3 (7)	35.5 (3)	0	Yes
Egypt	394.28 (2)	3.83 (2)	54.5 (4)	31.5 (2)	1,893 (6)	Yes
South Africa	329.53 (3)	5.44 (1)	62.4 (1)	63 (10)	2,886 (9)	Yes
Algeria	151.46 (4)	3.36 (4)	56.3 (3)	27.4 (1)	1,381 (3)	Yes
Morocco	124 (5)	3.41 (3)	60.0 (2)	39.5 (4)	1,862 (5)	Yes
Kenya	106.04 (6)	2.08 (8)	54.1 (5)	40.8 (5)	2,108 (7)	Yes
Ethiopia	93.97 (7)	0.97 (10)	44.4 (9)	35.5 (3)	2,172 (8)	Yes
Ghana	74.26 (8)	2.37 (7)	51.2 (6)	43.5 (7)	668 (1)	Yes
Cote d'Ivoire	70.99 (9)	2.49 (5)	48.1 (8)	41.5 (6)	979 (2)	No
Angola	66.49 (10)	2.02 (9)	38.1 (10)	51.3 (8)	1,531 (4)	Yes

Note: Ranking Basis: 1 = Most preferred, 10 = Least preferred. Data sources: GDP figures sourced from Statista, <https://www.statista.com>; Global Competitiveness and Gini Coefficient from World Bank, World Population Review, <http://worldpopulationreview.com> and Geographic/Air Distance from www.distancefromto.net.

The volume and structure of foreign capital inflows is equally an important factor in Nigeria's trade competitiveness. Where foreign portfolio investment (FPI) constitutes a sizeable part of foreign capital inflows, it would be easier for foreign investors to sell off their bonds and securities, unlike in foreign direct investment (FDI) asset sale or stripping is not as easy. Essentially, FPI is highly volatile and least preferred to FDI for nurturing Nigeria's trade competitiveness. Table 4 shows the amount of foreign capital inflows and the corresponding number of foreign direct projects executed in some of the selected African countries in 2020. Although Nigeria had the highest foreign capital inflow than the other countries in 2020, her foreign capital inflow per project of US\$ 0.126 is over 68% higher than that of each of the other selected countries. This either signifies a preponderance of FPIs in Nigeria's foreign direct investment inflows (implying high volatility of capital) or that project costs in Nigeria were higher than in the other countries (implying poor project costing or corruption). Since there are significant benefits of FDI to the host country, such as technology spillovers, human capital formation, improved business environment, contribution to international trade integration and improvement of enterprise development (Kurtishi-Kastrati, 2013), it is evident that industries of African countries with higher FDIs are better placed to compete and acquire greater market share in the ACFTA than Nigerian industries.



TABLE 4. FOREIGN CAPITAL INFLOWS AND CORRESPONDING NUMBER OF FOREIGN DIRECT PROJECTS EXECUTED IN SELECTED AFRICAN COUNTRIES IN 2020

Country	Foreign Capital Inflows (US\$ Billion)	Number of Foreign Direct Projects Executed	Capital Inflow per Project (US\$ Billion)
Nigeria	6.7	53	0.126
South Africa	3.8	100	0.038
Egypt	1.4	43	0.033
Ghana	1.2	29	0.041

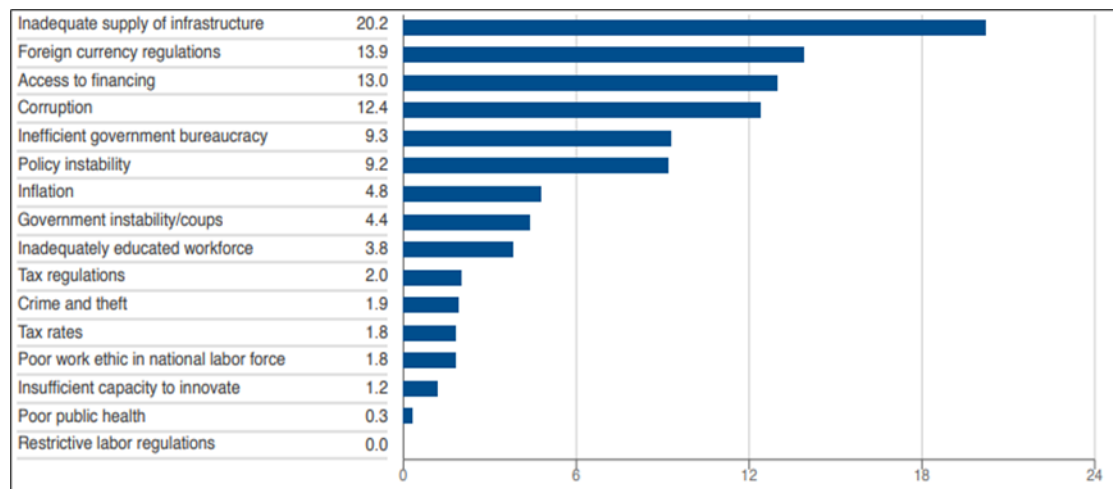
Source: The FDI Report: <https://www.fdiintelligence.com/report/2020>

There are also challenges arising from fiscal and monetary policies that entrench barriers to trade. Eliminating tariff barriers goes with potential private and public adjustment costs. Potential private adjustment costs include such labor issues as outdated skills, reduction in transitional wages, unemployment, cost of training and retooling the workforce, and personal suffering and trauma arising from job losses. Nigerian businesses may need to adjust their operations in line with their competitiveness, resulting to scaling down or closure of particular business lines and expansion into new business areas. While workers in less competitive business would experience job losses and dwindling remuneration, others in competitive businesses would need to train and retrain to upskill their capabilities. This scenario implies private costs to businesses in terms of employee training and severance payment costs. Also, employees would need to incur personal costs of training to acquire new skills to retain jobs or exit redundancy and unemployment. There are also induced private investment costs to businesses in forms of export facilitation to gain entry to new territories, underutilized plants and equipment in the face of increased competition and loss of market share, aging and obsolete equipment, and cost associated with shifting capital to alternative business ventures.

According to the World Economic Forum-Global Competitive Index (WEF-GCI) for 2017-2018, inadequate supply of infrastructure is the most problematic factor in the Nigerian business environment, followed by problematic currency regulations that affect international trade, limited access to finance, corruption and inefficient public bureaucracy among other inhibiting factors in that preponderant order (See Table 5 below). These myriads of factors increase private investment costs and make Nigerian businesses less competitive. According to Kannan et al. (2020), access to reliable electricity is a more pressing problem than ever in sub-Saharan Africa because of the increasing reliance on technology for trade transactions and remote work in the face of the COVID-19 pandemic. In the case of Nigeria, over 87% of the population is without access to reliable electricity from the national power grid. Heavy reliance on power generating sets by businesses in the formal and informal sectors has made

operating costs too high to ensure healthy bottom line.

TABLE 5. MOST PROBLEMATIC FACTORS FOR DOING BUSINESS IN NIGERIA



Source: World Economic Forum-Global Competitiveness Index Report, 2017-2018

Components of potential public sector adjustment costs include reduction in tariff revenues, increased spending on social safety net to ameliorate the disruptive effects of trade adjustment, and the associated costs of implementing needed trade reforms. Nigeria places high effective duty rates on imports to boost competitiveness of local industries, generate revenue and diversify the economy from oil revenue dependence. According to the US Department of Commerce (2021), “there are several customs duties and ancillary levies on imports (tariff, levy, excise, and value added tax (VAT)) that significantly increase Nigeria’s effective tariff rates such that it maintains effective tariff in the region of 50% or more on over 80 tariff lines, with 35 of the 80 tariff lines having effective duties exceeding the 70% limit imposed by her regional block, ECOWAS.” In this regard, potential revenue losses from the implementation of the ACFTA agreement poses some challenges to Nigeria’s quest for trade competitiveness and economic growth.

ENHANCING NIGERIA'S TRADE PERFORMANCE IN ACFTA

Given opportunities provided by ACFTA and the way digital technologies have opened national boundaries, Porter’s theoretical postulate on sustainable national competitiveness is considered relevant in designing effective strategy for enhancing Nigeria’s trade performance in ACFTA. As the most populous nation in Africa with a predominantly youthful labor force, Nigeria has a comparative advantage in labor-intensive production. However, creativity and innovation that drive productivity and economic growth are dependent on quality of the labor force. Improvement in the quality of labor force comes through tooling and retooling by way of formal and informal technical and vocational education. As observed by Signé et al. (2019), illiteracy, low educational training and poor health conditions hinder labor productivity and its ability to absorb new technologies, thereby inhibiting creativity and innovation. Thus, a robust and continuous human capital development is one



way of attaining Nigeria's sustainable competitiveness in ACFTA.

A second way is to ensure cost effectiveness of traded commodities in respect of the underlying cost of infrastructure and trade logistics. Improving infrastructure and logistics will no doubt encourage inflow of FDI with attendant positive spillover effects on Nigeria's trade competitiveness. Infrastructural effectiveness requires availability of modern sea and airports, good road networks, adequate electricity supply, internet connectivity, among others. Unfortunately, the quality of Nigeria's infrastructural facilities is much below acceptable international standards, while trading costs are highly prohibitive. Trading cost effectiveness requires minimizing tariff barriers, export-import processing costs and time lags, and other non-tariff barriers such as corruption and all forms of bureaucratic bottlenecks. It is also necessary to put in place effective supply networks of high-quality productive inputs of equipment, raw materials and technology. Although Nigeria is especially blessed with abundant land and labor resources, her poor and fragmented supply networks is a constraint to harnessing productive inputs for manufacturing production and export.

A third way is to effectively manage associated adjustment costs through targeted fiscal and monetary policies. Subject to ACFTA protocols, such policies should facilitate new market entry, expand capacity utilization, replace/upgrade obsolete/aging plants and equipment, and fund the cost of new market entry and adjustment of capital to emerging business opportunities. Government should frontally pursue a policy of diversifying the economy to attain more varied sources of revenue and less reliance on tariff revenues. It should also provide social safety net against adversity and psychological shock arising from job losses, redundancy, and reduced wages in transitional occupations.

CONCLUSION

ACFTA presents unique opportunity for expansion of Nigeria's foreign trade within Africa and beyond as it provides a springboard for increasing her share of global trade that is abysmally low at the moment. The current global disaffection with free trade and multilateral agreements in recent times notwithstanding, it has been shown that free trade promotes growth and development as evidenced by the export-led growth strategy adopted by China, India, Taiwan and South Korea in recent history. The ACFTA presents a unique opportunity for Nigeria to diversify its productive base and build a globally competitive economy.

While ECOWAS remained Nigeria's most important regional trading block, the totality of Nigeria's trade performance in Africa in terms of trade surplus in preceding years to ACFTA, though positive, was unstable. In general, her trade with African countries was a paltry 0.11% of world trade, while South Africa was Nigeria's most

important bilateral trading partner, followed by Ghana.

Given Nigeria's position as the largest economy in Africa, her potential for greater effective demand for goods and services than obtainable in the other African economies, ready access by air, seaports, and fast-growing internet connectivity, there are prospects for effective trade performance. The challenges however are numerous: limited size of the domestic markets of most of the African states in terms of income per capita coupled with large geographic distance and poor transportation network, potential private and public adjustment costs, and other constraints imposed by Nigeria's poor infrastructural facilities, problematic currency regulations that affect international trade, limited access to finance, rampant corruption, and inefficient public bureaucracy.

Overcoming the foregoing challenges would require crafting a robust and continuous human capital development for Nigeria's sustainable competitiveness in ACFTA. Another suggestion involves ensuring cost effectiveness of traded commodities in respect of the underlying costs of infrastructure, logistics, and trading costs. This will attract FDI with attendant positive spillover effects on Nigeria's trade competitiveness. An equally important measure is to effectively manage associated adjustment costs through targeted fiscal and monetary policies.

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