Chapter 10

Effects of International Trade Agreements on the Economy and Society of Africa: Special Focus on Nigeria

Henrietta Nagy
Szent István University, Hungary

József Káposzta
Szent István University, Hungary

György Iván Neszmélyi
Budapest Business School, Hungary

Omokheka Gregory Obozuwa
Szent István University, Hungary

ABSTRACT

The aim of this chapter is to give an overview of the trade agreements existing in Nigeria to find out their contribution to the development of the economy. There are several such agreements, however, the authors investigate how much they really operate and serve the wellbeing of people as well as food security and safety. There have been various initiatives in the countries of Africa to develop the agricultural sector, which has employed millions of people and has had a significant role in keeping the population in the rural areas. However, the authors claim that less progress has been achieved than expected. In this chapter, the authors intend to analyze the situation in Africa, with a special focus on Nigeria, to summarize the achievements, and to list up some recommendations on future measures.

INTRODUCTION

Trade agreements are undoubtedly veritable instruments through which a country can open its economy and market to commercial opportunities present in the ever dynamic and global market. Nigeria recognizes this fact, and, over the years, has entered into several of such agreements in a bid to strengthen and expand its economic frontiers. The thrust of these agreements has come in the form of reduction or removal of tariffs, quota/trade restrictions or concessions. It could also relate to exchange of goods and services between countries, all of which come mostly either as bilateral or multilateral trade agreements. Nigeria has been a member of the World Trade Organization (WTO) since January 1, 1995, and used
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to be a member of its predecessor organization, the General Agreement on Tariff and Trade (GATT) from November 18, 1960.

Nigeria’s GDP value represented 0.78% of the world economy in 2015 that might be considered low. Nigeria’s international trade more than doubled in the 2003-2009 period, with exports rising to nearly $50 billion and imports to nearly $34 billion (World Trade Organization [WTO], 2011). Nigeria is the 38th largest export economy in the world and the 125th most complex economy according to the Economic Complexity Index, ECI: -1.048 (The Observatory of Economic Complexity, n.d.). Nigeria exports 40 products with revealed comparative advantage (meaning that its share of global exports is larger than what would be expected from the size of its export economy and from the size of a product’s global market). In 2014, Nigeria exported $99 billion and imported $52.3 billion, resulting in a positive trade balance of $47.4 billion. Although crude oil accounts for nearly all the value of exports, trade continues to play an important role, with total trade (imports and exports) accounting for over 53% of GDP (Central Bank of Nigeria, 2010) and tariffs being the main trade policy instrument. To encourage trade and investment, Nigeria provides a broad range of incentives most of which are tax or import-tariff related and apply to enterprises producing for export and domestic markets. Also to facilitate international trade, the Nigerian Export Processing Zone Authority superintends over eleven export processing zones (with additional ones under development).

The biggest trade partner of Nigeria is China. A range of bilateral agreements including the Agreement on Economic and Technical Cooperation, Trade Agreement, Agreement on Mutual Investment Promotion and Protection, and Double Taxation Agreement have been signed between China and Nigeria. According to the Chinese Embassy in Nigeria (Economic and Commercial Counsellor’s Office in Nigeria, 2014), bilateral trade with Nigeria stood at $10.8 billion, exceeding $10.0 billion for the first time. In 2012, bilateral trade was $10.6 billion, accounting for 5.3% of China’s total trade with Africa, while in 2013 it was $13.6 billion and $180.0 million of direct investment, including assistance and technical cooperation. Nigeria’s trade agreements have either been at bilateral, multilateral (usually negotiated through the WTO), or regional level. This chapter will provide an overview of the agreements and their impacts on the economy and society of Nigeria.

BACKGROUND

Since the early 1990s, many countries in Africa have made significant progress in opening up their economies to external competition through trade and exchange rate liberalization, often in the context of the International Monetary Fund (IMF) and World Bank’s support programs. At the same time, with the creation or expansion of a number of regional trading arrangements in other parts of the world, several African nations have also worked towards this, resulting in the establishment or renewal of such trading arrangement in Africa too. The continent is now home to several regional trade agreements (RTAs) or trade blocs, many of which are part of deeper regional integration schemes. While some RTAs have been revived, some other have been broadened and deepened. Whether regional/bilateral agreements are becoming a major feature of the global trading system (as opposed to a major preoccupation of trade negotiators) is not obvious (Pomfret, 2001).

Such trading arrangements are envisaged to foster trade and investment relation amongst member countries by removal of tariffs and other impediments to intra-regional trade flows. In some cases, the arrangement also aims at fostering common economic and monetary union amongst member states, as