Dynamics of Trade between Nigeria and Other ECOWAS Countries

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Nigeria's trade with the other countries that belong to the Economic Community of West African States (ECOWAS) remains poor—as do aggregate trade flows among all the ECOWAS member states.[1] Specifically, Nigeria's export to the ECOWAS region, which averaged about 7 percent of its total exports between 2001 and 2006, plummeted to 2.3 percent in 2010. The vast majority of Nigeria's exports to the ECOWAS are mineral fuel and oils, which reached 97 percent and 94 percent, respectively, in 2009 and 2010. Comparatively, the share of manufacturing in Nigeria's total exports to the ECOWAS region climbed from 1 percent in 2001 to 5.4 percent in 2010, while the share of Nigeria's agricultural exports—which was 3 percent in 2001—plunged to nearly nothing in 2009 and 2010. Likewise, the share of other ECOWAS countries in Nigeria's imports dropped from 4.4 percent in 2001 to less than 0.5 percent in 2010.

Constraints on Expansion

The prospect for significant trade between Nigeria and other countries in the ECOWAS zone is constrained by parallel or noncomplementary production structures across member countries. For instance, the share of agricultural products as a percentage of GDP was approximately 72 percent in Liberia in 2000 and approximately 62 percent in Guinea Bissau in 2006. Similarly, services accounted for nearly 61 percent of the Senegalese GDP and 74 percent in Cape Verde in 2006. In contrast, share of manufacturing in GDP was below 5 percent in Guinea, Mali, Sierra Leone and Nigeria between 2000 and 2006 .

A widespread infrastructural deficit also remains a formidable obstacle to the expansion of national output and the generation of surpluses for export within the region.[2] According to the World Bank (2007), delays in obtaining necessary connections to electricity can average up to 80 days, while electricity outages occur on average 91 days per year. Furthermore, the value of output lost, as a proportion of turnover due to electrical outages, is estimated at 6.1 percent. Similarly, telephone outages average 28 days a year. Moreover, the average freight cost in West Africa in 1997 was about 12.9 percent of the cost of insurance and freight import values, in comparison with 4 percent of these values for developed countries (World Trade Organization 2004). The incredibly high volume and range of nontariff barriers that are still in force is corrosive to intraregional trade. The number of checkpoints erected by law enforcement agents along highways connecting West African countries range from seven per 100 kilometers between Lagos and Abidjan to two per 100 kilometers between Accra and Ouagadougou.

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[1] The ECOWAS member states are Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Nigeria, Niger, Senegal, Sierra Leone and Togo.

[2] According to the Manufacturers' Association of Nigeria, infrastructural inadequacies particularly shortfalls in electricity provision resulted in the closure of 86 industrial firms in Kano in 2009–10. During the same period, 834 firms shut down across the country, with an estimated loss of 830,000 jobs.

Differing standards and certification measures are likewise required through ECOWAS members, covering food safety, fair trade and organic certification standards, as well as labor and several kinds of environmental and labeling standards.

Recommendations

Policymakers should consider infrastructure, regional value chains, the role of corruption and the value of regional integration when identifying priorities for stimulating intra-African trade. Massive investment in critical infrastructure is essential to encourage growth, unlock productive capacity and induce structural transformation. This will encourage an export supply response in sectors such as agriculture, manufacturing and mining.

Growth corridors and regional hubs can be useful strategies for spurring economic activities and inspiring diversification. National and regional industrialization strategy should focus on transforming agricultural products into manufactured goods and the provision of high-technology services at competitive prices to enhance the potential for trade within the ECOWAS. Production sharing, cross-border input supply and conditional incentives for exports can foster the development of local and regional value chains and strengthen export competitiveness. Certain agricultural products (e.g., bananas, sweet potatoes and sugarcane) could be processed, properly packaged and traded. There is also considerable potential for trade in timber, limestone and marble. Regional value chains should be developed for products such as textiles and clothing.

The unnecessary delays, harassments and massive graft associated with corruption among those engaged in intraregional trade in West Africa needs to be addressed in order to increase trade. This will require a coordinated and harmonized implementation of ECOWAS protocols on the free movement of goods and people across the region by, in particular, dismantling the numerous security outposts and checkpoints along the borders. This process will facilitate trade, reduce smuggling activities and promote regional investments in trade. Signing bilateral trade and investment agreements between countries in the region will facilitate trade creation and arrest the diversion of trade to the European Union and China. To reduce trade diversion, a supranational body or the region's more prosperous countries should fill any vacuum created by the stepping back of non-African trading partners. Regional innovation and technology policies should be crafted to ensure the diffusion of technology, and a comprehensive competition policy outlining the rules of the game in the form of rewards and sanctions for the conduct of national economies in intraregional trade could also be designed. There is a need for greater efficiency in the delivery of trade-related services by banks and other financial institutions in the region. Adequately capitalized export-import banks should be encouraged to support trade within West Africa by facilitating the painless and expeditious transfer of export receipts and import payments.

To effectively stimulate growth across sectors and among nations in the ECOWAS region, including Nigeria, significant efforts must be undertaken to address these challenges if the benefits of intra-Africa trade are to be truly realized.

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