

Made in Nigeria for Nigeria and the World

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Abstract

This article examines Nigeria's trade profile, with a detailed look at the imports bill, which consists majorly of manufactured and value added products and export bill, which consists majorly of crude oil. It points out that this trade composition is a huge challenge facing the economy and therefore, conscious efforts are required to rebalance the country's trade profile. The article suggests that Nigeria needs to key into an export-driven industrialization model, which is crucial for the survival and relevance of the Nigerian economy in the global environment.

Keywords: Trade, Export, Import, Nigeria.

Introduction

Understandably, many solutions are being presented across different audiences to manage our economic downturn. One of the most popular solutions is captured under the phrase 'Made in Nigeria'. It has been raised on the floor of the Senate and climaxed when the Nigerian Economic Summit Group used it as the theme for the 22nd Nigerian Economic Summit (NES #22) in October 2016. The justification for promoting Made in Nigeria is as diverse as its various promoters, with the majority seeing it as a key strategy for reducing the country's import bill. They propose that we should produce what we consume and consume what we produce.

There is a lot of gain in consuming what we produce and producing what we consume but the two critical questions to ask are (1) what do we consume and (2) what do we produce? Juxtapose those against what we do not consume that we produce and what we cannot produce that we consume and then it becomes a really interesting argument for understanding why recognising the factors

that influence buyer behaviours particularly as they relate to imported goods and untapped potentials for production and foreign trade are critical for charting our overall strategy for growth and economic development.

Nigeria's Trade Profile and Potentials for Made-in-Nigeria

To put things in perspective, it is important to share some information about Nigeria's external trade profile. Nigeria's import bill for 2015 which according to the International Trade Centre (ITC) mirror data was \$40.5 billion, signifying 0.2% of the world's import and ranking 52 in world imports, while export trade value was \$53.9 billion in the same period, representing 0.3% of world exports and ranking Nigeria 48 in world exports. Further analysis indicate only four countries namely; China, United States of America, Netherlands and the United Kingdom exported more than half the value of Nigeria's total imports in 2015 at \$22 billion.

Nigeria's main imports from the four countries (top five in most cases) represent between 40-70% of their export values on products such as, mineral fuels and oils, products of distillation, machinery and electrical appliances, mechanical equipment, nuclear reactors, aircraft vehicles and parts, articles of iron and steel, except for the United States which has cereal among its top five products and China which has Articles of apparel and cotton at significant export values, almost \$1bn. On the other hand, 94.3% of Nigeria's total export valued at \$50.9 billion was from export of mineral fuels, mineral oils and related products meaning less than 6% of exports was from non-oil with the highest being cocoa at 1.1% for \$619,701 Million. The importance of this analysis is to get our minds thinking clearly about the prospects for Made in Nigeria in global trade.

From the analysis above, it is clear that Nigeria's import bill consists mainly of manufactured, high technology and value added products. In promoting Made in Nigeria therefore, we must find where the gaps are, articulate a vision and chart a critical pathway. The Chief Executive Officer of the Nigerian Export Promotion Council in his article Export for Survival published in March 2016 declared that Nigeria does not have a foreign exchange problem, but an Export Inertia problem! In the article, he described how with an export driven agenda Nigeria's economy would grow exponentially with implications for jobs, investments and local businesses. The Nigerian Export Promotion Council is currently promoting the Zero Oil Plan, which synchronises targets and actions over a ten-year period to move Nigeria's non-oil export earnings to \$30 billion by 2025. Interestingly, examples abound about how countries have re-engineered their economies through export driven agendas. Asia comes to mind. In the 1980s and part of 1990s, Taiwan in the Nigerian street

vocabulary was synonymous with imitation or fake. So the description of an inferior imported electronic good, was Made in Taiwan. On the other hand, inferior local goods particularly leather and apparel were described as Made in Aba. Over the years, there has been a transformation, while Taiwan may have produced what it consumed it looked beyond consuming what it produced. It went beyond its shores to create wealth and improve lives in Taiwan by pushing its cheap products overseas, penetrating new markets, gathering market intelligence, building trade relations and creating employment in factories back home. Meanwhile, Our Made in Aba products make it overseas especially within the African region but largely under foreign labels that have no connection with Nigeria.

Today the story is different, Taiwan has carved its niche in mobile technology, its high tech companies are providing key components to power mobile phones made in China, Indonesia, India, Brazil, Russia and others. Taiwanese companies such as Largan Precision, its best performing high-tech company, is serving a niche market, making mobile phone camera lenses for iPhones and androids that sell for \$400 and above. In his June 2016 article in Financial Times, Why Taiwan is far ahead of mainland China in high-tech, Peter Fuhrman said Largan made over \$1bn in revenue with a profit margin of 40%, higher than Apple, its main customer.

Global trade has become a lot more sophisticated with production lines and value chains stretching across continents. Buyers are looking for brands that they can trust to consistently deliver on the quality that they want and at the right price, while companies are looking for the most cost efficient ways of delivering consistently good quality products to their customers at the right price. Take the iPhone for instance, it is designed in the

United States of America but assembled in China with components from Taiwan. How this model works is a mix of innovation, research and development and manufacturing which are applied to give buyers a product that they desire. This intricate value chain is necessary to deliver the products at the right quality and price for customers as well as good returns in earnings for shareholders.

Made-in-Nigeria: Sectoral Perspectives

Across various sectors, we can achieve our goals for Made in Nigeria products to reach local and international consumers. However, our manufacturing and processing capabilities, which have been overwhelmed by a myriad of challenges including weak infrastructure, poor standards, limited access to finance, inadequate application of technology, poor skills etc. need to be addressed. One key lesson to learn from Taiwan and the United States as we promote Made in Nigeria is to identify our niche, invest in innovation, research and development and to get maximum value out of our products by protecting our intellectual property through patents and operational systems.

One sector that needs to be addressed as a matter of urgency is the Cotton, Textile and Garment sector a critical economic sector. The global fashion industry is currently at \$1.1 trillion and represents 2% of the world GDP. It is however estimated to reach \$2 trillion by 2020. Despite Nigeria's love for fashion among its 170million people, the country has no significant presence in the global apparel trade. In fact, no item from the sector features amongst Nigeria's first 24 exported products in 2015. On the flipside, Nigeria's import bill for apparel, related articles, cotton and footwear from China was over \$1.6 billion in 2015. This huge market can be satisfied by Made in Nigeria products that can also be traded abroad.

Nigerians import apparel from overseas for a number of reasons – including cost, quality and choice options. I recall I was approached sometime back by an American lady who wanted to know what we wear as daily work clothes in Nigeria. Now, most women will relate to my answer. I told her I wear Western suits or dresses because I could not afford the cost for traditional clothes as my daily work outfit. I wore those mostly on special occasions. Besides being more expensive because of the amount of time put into the production of one outfit, as there is an absence of economies of scale, there is also the very predominant problem of non-standardisation. Meaning that most women have the hassle of maintaining and dealing with several tailoring outfits and manage all forms of disappointments. This costs time, money and emotions!

In 2015, in my role as Technical Advisor to Chief Executive Officer of the Nigerian Export Promotion Council, I coordinated the participation of Nigerian brands to the world's largest apparel sourcing event in Las Vegas. There was a real buzz and thrill for our products, they were described as 'Chic' and Hollywood. That event was an opener for our people...while the designs were outstanding our people needed to learn more about pricing, finishing, brand positioning, marketing.

The fashion sector in Nigeria with its high potential for inclusive economic growth along its entire value chain has a number of challenges. The problems begin at the point of primary production and run through the entire value chain. In the last few years, the production of cotton has been minimal. Secondly, there is no spinning capacity in Nigeria and that also means no versatility. Therefore our designers will rely on imported materials to produce apparels. Thirdly, there

is limited availability of industrial skills for garment production. This is one of the main problems identified by a study jointly commissioned by the United Nations Industrial Development Organisation (UNIDO) and NEPC in 2015. These skills range from industrial engineering, plant and machinery engineering, machinist, tailoring, pattern making, factory management.

The absence of industrial garment production orientation is the main reason that Nigeria is not receiving interests like other countries in Africa such as Ethiopia, Mauritius and Rwanda where products for brands like H&M, Calvin Klein, Harrods, Tommy Hilfiger etc. are being manufactured. Mauritius for instance, has concentrated on the apparel sector as a main economy driver over four decades, attracting over \$1 billion in Foreign Direct Investment and creating 45,000 jobs. In 2015 the country made \$933 Million from apparel exports, which represented 43% of the country's exports.

Made-in-Nigeria: The Way Forward

For Nigeria, things can change. One of the main challenges, infrastructure is being addressed by the Federal Government through its Industrial Clusters/parks in each of the six geo-political zones initiative

spearheaded by the Ministry of Industry, Trade and Investment. This model has been tested in other climes and should provide the necessary buffers to facilitate manufacturing. To make this much more effective will be to link these clusters with growth plans for specific sectors, so that targets can be set and monitored and consistent high standards achieved.

On the business side, there are a number of jobs and skill sets required along value chains. As with the case in Ethiopia, government and private sector will need to work together to address the skills requirement for sectors and if necessary, go back to the education and training curriculum to update them for today's needs. Sector players should begin to apply specialisation orientation to the way of doing business. This way, they can grow expertise and then scale up. As we promote Made in Nigeria for Nigeria and the rest of the world, we need to carve our niche, create and promote strong brands and articulate a value proposition that inspires trust in our products and the brand Nigeria, bearing in mind that trade is buyer driven and technology has made it possible for consumers to easily access a wide range of options and choice.

Reference

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