

TRADE AND DEVELOPMENT FOR NATURAL RESOURCES IN NIGERIA AND PROSPECTS OF COOPERATION UNDER AFCFTA*

ABSTRACT

Intrinsically, the natural resources of a country are the primary source of its economic development. Leveraging on comparative advantage, a country can extend the frontiers of its economic wealth through the dispensation of its natural resources in the appropriate channels. It will be a swim within a deep puddle to over emphasize the natural endowments of Nigeria and the impact this ought to contribute to its economic development. However, maintaining a spot on the list of developing nations, Nigeria's economic development remains a form of arbitrariness when compared to the magnitude of its economic wealth. Using a desk-based methodology, this paper examines the interconnection between trade in natural resources and the economic development in Nigeria, and how the status quo may be advanced through the promises of the African Continental Free Trade Area Agreement (AFCFTA). The paper finds that there are benefits which may be derived through AFCFTA, however, the promise of economic development through trading in natural resources and building a market through AFCFTA is potentially a mirage when adequate internal measures and administrative controls are not established within the country. The paper is concluded with recommendations proffered.

Keywords: Development; Comparative Advantage; AFCFTA; Trade; Resources

INTRODUCTION

The theory of comparative advantage posits that a country may maximize its wealth by capitalizing on its economic strengths in the global market. Hence, using opportunity cost, a country can explore economic advantages as well as position itself for economic growth by focusing on its relative strengths and intrinsic measures. The natural resources of a country are its principal and immediate source of revenue generation and its developmental propensity and global relations are often invigorated on this. Therefore, in trade relations, economic cooperation is often premised on what a country seeks to obtain from the relationship, in terms of satisfying a need on the part of a party and in terms of generating revenue, on the part of the other party. Therefore, a country that lacks the innate ability to generate oil, will often economically integrate with another for the purpose of satisfying its oil need.

It is an overemphasized fact that many African countries; Nigeria inclusive are abundantly rich and resource viable. However, the synchrony between their innate wealth and material wealth is a fact that defiles direct explanation and a major course of incessant debates and blame pushing. This paper examines the relationship between trading in natural resources in Nigeria and the country's economic development. It further determines if the African Continental Free Trade

Area (ACFTA) Agreement can be a channel through which the economic growth of Nigeria may be propelled. The paper is divided into six parts that treats the topic sequentially.

NIGERIA'S NATURAL RESOURCES

Natural resources have been described as productive assets which support economic development and sustain human populations.¹ It is argued that the mining and exploitation of natural resources are viewed as key drivers of economic growth and the development process.² In this light, Romer and Wright³ aver that the origins of rapid industrial and economic expansion in the United States of America (USA) over 1879-1940 were strongly linked to the exploitation of abundant non-reproducible natural resources, particularly energy and mineral resources. Hence, it is posited that the exploitation of natural resources by the extractive industry, is the lead sector that drives economic expansion, which can lead to higher levels of social and economic wellbeing.⁴

Natural resources exist within the environment and are relatively undisturbed by mankind in their natural form.⁵ They are often characterized by the amount of biodiversity existent in various ecosystems, and while many are essential for our survival, others are used in satisfying our wants.⁶ Broadly speaking, they may be classified into renewable and non-renewable resources,⁷ and as the name suggests, renewable resources are those which may be replaced by a natural process as quickly as humans use them, and they include timber, water, solar and air among others. On the other hand, non-renewable resources exist in fixed forms and are limited. Consequently, they are extinguishable, although the available supply may be replenished through recycling, and they include; Oil, Steel, Aluminum, Coal and Phosphates among others.

***Rachel Oreoluwa Ojo-Solomon** LL.B (Hons), BL, Assistant Lecturer, Bowen University. The author can be reached via oreoluwaajosolomon@gmail.com

¹ Barlowe R. 1978. *Land Resources Economics*. 3rd ed. New Jersey: Prentice-Hall Inc.

² *Ibid.*

³ Romer, P. 1996. Why, Indeed, in America? Theory, History, and the Origins of Modern Economic Growth. *American Economic Review* 86: 2: 202–212. 207.

⁴ Bridge. G. 2008. Economic Geography Natural Resources. *International Encyclopedia of Human Geography*. Eds. Kitchen and Thrift: Elsevier.

⁵ Duru P., & Chibo C. 2012. Sustainable Management of Natural Resources for Socio-Economic Development of Imo State of Nigeria. *International Journal of Development and Management Review*. 7: 80-91. 85.

⁶ Groom, M., Meffe, G., & Carrol C. 2006. *Principles of Conservation Biology*. 3rd ed. Sunderland: Sinauer Associates. 13.

⁷ Duru P., & Chibo C. 2012. Sustainable Management of Natural Resources for Socio-Economic Development of Imo State of Nigeria. *International Journal of Development and Management Review*. 7: 80-91. 86.

In the 36 states and the Federal Capital Territory that encapsulates the Federal Republic of Nigeria, there are distributed, within the ecological system natural resources, and they constitute the commonwealth of the federation.⁸ These resources span crude oil, gas, iron ore, cocoa, timber, tin, columbite, tantalite, wolfram, gold, lead-zinc, limestone, kaolin, clay, shale, marble, radio-active minerals, barytes, cassiterite, coal, lignite, petroleum, natural gas and hydro-electric power, and if properly exploited they can facilitate the economic growth and development of Nigeria.⁹

With large deposits of crude oil in Abia, Bayelsa, Imo, Delta, Rivers, Akwa-Ibom, and Edo state,¹⁰ Nigeria is easily reckoned as a petroleum-producing state, and has over time economically capitalized over this singular factor. It had been estimated that over 3 billion metric tons of iron ore deposits exist in Enugu, Kogi, Niger, Lagos, as well as the Federal Capital Territory,¹¹ and over 40 million tons deposits of talc are located in Osun, Niger, Ogun, Kaduna and Kogi States,¹² all of which has facilitated the industrialization process of the country, although, it has been contended that the control of these sectors has become the personal asset of a select few.

In the Agro-Allied Sector, Cocoa, which was initially one of the major sources of economic revenue prior to the oil boom of the 1970s is largely concentrated in Anambra, Oyo, Edo, Imo, Osun, Kwara, Ondo and Ogun States, and is yet a primary export commodity in the country. It has been observed that Rubber grows well in Edo, Ogun, Delta, and Cross River States, while coffee is largely grown in Bauchi, Kwara and Osun States.¹³ Timber is hugely found in Delta, Edo and Ogun States, while kolanut is highly concentrated in Kwara, Ogun, Osun and Oyo

⁸ Section 44(3) of the Constitution of the Federal Republic of Nigeria 1999

⁹ Adesopo A., & Asaju, A. 2004. Natural Resource Distribution: Agitation for Resource Control Right and the Practice of Federalism in Nigeria. *Journal of Human Ecology*, 15:4: 277-289. 280.

¹⁰ Jack J., Nkwocha I., & Odubo T. 2016. Natural Resources Exploitation and Socio-Economic Development in Nigeria (1981-2015). *Sustainable Human Development Review*. 8:1-4: 77-101. 90. Retrieved Oct 4, 2021 from https://www.researchgate.net/publication/312030138_NATURAL_RESOURCES_EXPLOITATION_AND_SOCIO-ECONOMIC_DEVELOPMENT_IN_NIGERIA_1981-2015?

¹¹ Ibid. 87

¹² Ibid.

¹³ Ibid.

States.¹⁴ Tobacco is highly concentrated in Kwara, Osun, Oyo and Sokoto States, while Carrot is highly available in Borno.¹⁵

However, notwithstanding the foregoing, authors have overtime couched the Nigerian situation as the ‘paradox of plenty,’¹⁶ where the apparent abundance of resources is not coterminous with the economic development of the state. The seeming capitalization on oil as the major source of revenue has propelled questions on the viability of other resources; natural and human. The economic reality of the country became even below projection when one considers the absence of infrastructural facilities and the privatization of the limited few. Hence, in the light of this paradox, several debates have sprung up on the very factor that is responsible for inhibiting the economic development of the state. A host of writers have attributed this to the governance structure, in the country,¹⁷ while others have canvassed that it is as a result of the apparent capitalization on crude oil for economic revenue.¹⁸ Others have attributed it to the penchant notion of corruption.¹⁹ However, in many ways it could be because of the pursuit of Neo-Libra reforms, the disequilibrium in economic integration and a westernized perception of what economic development should be.

NIGERIA’S ECONOMIC RELATIONS FOR TRADE IN NATURAL RESOURCES

Economic integration is often propelled on mutual advantages. Hence, countries form alliances based on the perceived benefits that may be obtained from the relationship and many times it may be premised on the need to meet a need. The differing natural resource endowments and their uneven geographical distribution within countries play an important role in the basis for international trade.²⁰ Traditional trade theory emphasizes that differences in factor endowments

¹⁴Ibid.91.

¹⁵Ibid.

¹⁶ Garuba D. Oil and the Natural Resource Curse in Nigeria. Retrieved Oct 4, 2021 from https://www.academia.edu/10218421/Oil_and_the_Natural_Resource_Curse_in_nigeria

¹⁷ Adefeso A., & Abioro T. 2016. Governance and Economic Development in Nigeria: Further Quantitative Evidence. *Benue Journal of Social Sciences*. 4:2:12-28.

¹⁸ Ikue N., Amabuike L., Denwi J., Mohammed A., & Musa A. 2021. Economic Growth and Crude Oil Revenue in Nigeria: A Control of Industrial Shocks. *International Journal of Research in Business and Social Science*. 10:8:218-227.

¹⁹ Odi N. 2014. Impact of Corruption on Economic Growth in Nigeria. *Mediterranean Journal of Social Sciences*. 5:6:41-46.

²⁰ WTO. 2010. World Trade Report 2010: Trade in Natural Resources. Retrieved Oct 4, 2021 from https://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report10_e.pdf

prompt countries to specialize, and to export certain goods or services where they have a comparative advantage. This process allows for a more efficient allocation of resources, which in turn leads to an increase in global social welfare, known as the “gains from trade”.²¹

It had been estimated that about one-fifth of the global merchandise is in natural resources, and of this proportion, fuel is stated to occupy the larger proportion.²² Hence, trading in natural resources is an important premise for international trade relations and economic integration.

In a 2007 Report, The United Nations Conference on Trade and Development projected that the rising demand by developed countries on developing countries for natural resource-based primary commodities in recent times, and the high prices of mineral resources in the international market have increasingly stimulated investments in natural resource exploration in developing countries, which should simultaneously, stimulate economic growth.²³

However, while international trade relations are not new, and many countries are increasingly entering into trade pacts, there is no clear consensus that international trade relations always benefit the parties involved, in terms of real economic growth and development, and this seems more glaring in the case of developing countries such as Nigeria.²⁴ Some of the factors responsible for this have been argued to include economic disequilibrium, absence of infrastructural facilities, and the pursuit of neoliberal reforms.

Economic Disequilibrium

The oil and gas sector in Nigeria represents about 10% of the gross domestic product, while petroleum export revenue represents about 86% of Nigeria’s total export revenue.²⁵ Consequently, exports of oil represent Nigeria’s main source of export value, with its main trading partners in Europe and Asia.²⁶ Between April and June 2021, Nigeria is recorded to have

²¹ *Ibid.*

²² Ruta M., & Venables A. 2012. International Trade in Natural Resources. *CESifo Working Paper No 3778* Retrieved October 4, 2021 from < <https://www.econstor.eu/bitstream/10419/80058/1/71/581126.pdf>>.

²³ United Nations Conference on Trade and Development. July.,2007. *World Investment Report 2007: Transnational Corporations, Extractive Industries and Development*. Retrieved Oct 4, 2021 from https://unctad.org/en/docs/wir2007_en.pdf .

²⁴ Ubong E.,& Okon J. 2020. International Trade for Economic Development: Is Nigeria Benefitting From It? *African Journal of Social Policy and Administration*. 13:1: 23-34. 30.

²⁵ OPEC. 2020. Nigeria: Facts and Figures. Retrieved Oct 8, 2021 from https://www.opec.org/opec_web/en/about_us/167.htm

²⁶ Varrella S. 2021. Export Value of Crude Oil From Nigeria 2020-2021 by region. Retrieved Oct 5, 2021 from <<https://www.statista.com/statistics/1166636/export-value-of-crude-oil-from-nigeria-by-region/>>

exported crude oil valued at over four trillion naira, of which 1.48 trillion naira is said to have been sourced from trading with Europe, while 1.46 trillion naira is attributed to Asia.²⁷

However, evident in the level of development in these jurisdictions, the bargaining power is at disequilibrium. Hence, the relationship is often of a lesser advantage to the developing nations, whose economy is dependent on the revenue generated from the trade relationship, and who are still in need of the benefits sought to be obtained from the agreement.

For instance, in areas of trade, trade between Nigeria and China has become more pronounced and it has remained the main channel of boosting economic cooperation between the countries. In 2016, the Nigeria-China bilateral trade hits \$10.62 billion naira, which shows a more than 59 times increase in total bilateral trade over the last two decades.²⁸ However, while the magnitude of Chinese investments is large in Nigeria, it is its developmental contributions to the country that remains questionable.²⁹ The slow developmental pace in Nigeria, has been attributed to several facts, among which are that, Chinese investments in the oil and gas, power, telecommunication and construction sectors have increased Nigeria's reliance on China, and consequently facilitating a lack of creativity and diversification of the Nigerian economy, a fact which undermines its economic security and self-reliance.³⁰

Absence of Infrastructural Facilities

Again, the absence of infrastructural facilities in the country, accounts for revenue loss despite the seeming revenue obtained from trading in natural resources. For instance, Nigeria exports crude oil, but imports refined petroleum from the United States. Hence, while we may generate income from trading in oil, the county is yet to have a fully functional refinery which has become paramount in revenue conservation. Also, the upstream and midstream petroleum sectors are largely dominated by foreign companies, such as Shell British Petroleum, Texaco, Mobil and Agip Oil. For instance, in the year 2019, it was recorded, that Nigeria generated 141 trillion naira from the export of crude oil, while in the same year; it expended the sum of 243 trillion naira in the import of refined oil from the United States.

²⁷ *Ibid.*

²⁸ Kabiru H., Dyah W., & Rossanto D. 2020. Nigeria- China Bilateral Trade Relations: Is There Market Opportunities in China? *Journal of International Studies*. 4:2: 139-160. 145.

²⁹ Shittu A., & Ogunrinu A. 2018. Chinese Investment and Its Implications for Nigeria's Economic Security. *Brazilian Journal of African Studies*. 3:6: 123-142. 130.

³⁰ *Ibid.*

Similarly, when it comes to resources such as Cocoa, Tobacco and Rubber, among others, Nigeria is also a major supplier to European countries in this respect, however, the country cannot establish a comparative advantage in this regard nor can it leverage on absolute advantage, because of the absence of infrastructural facilities, which makes it impossible for the country to capitalize on the revenue to be generated from the finished products. Hence, there is no market for the sale of these finished products, as the products are often met with health and quality control restrictions. In addition to this, the industry for converting the raw materials into finished goods is often largely owned by foreign countries, as exemplified in Cadbury, Nestle and International Tobacco Company.

Neo-Liberal Reforms

The pursuit of neoliberal reforms on the promise that trade liberalization will enhance the economic growth and development of the liberalized market, may from the Nigerian perspective be a sour tale. This is because while we open our markets for foreign direct investments and are also accessible to other markets for the sale of much needed natural resources, the same is not the case, when it comes to the sale of finished goods and with the absence of revenue generation with respect to the latter, the revenue generated with respect to the former is affected by the need to import finished goods because of the absence of infrastructural facilities.

With the large influx of multinational companies as a result of the liberalized market, the growth of local companies are often stifled as they are unable to effectively compete with these companies that have garnered considerable expertise, industry prowess and who can offer goods at a relatively lower cost as a result of the minimized trade restrictions which reduces production costs.

THE AFRICAN CONTINENTAL FREE TRADE AREA AGREEMENT

At the 18th Ordinary Session of the African Union held in 2012, a commitment was made by the Heads of States and Heads of Government to establish the African Continental Free Trade Area (AFCFTA).³¹ Actual negotiations for the agreement were launched at the AU Johannesburg

³¹ Trade Law Centre. 2018. Fact Sheet on the AfCFTA Benefits for Africa and Nigeria. Retrieved Oct 8, 2021 from <https://www.tralac.org/documents/resources/african-union/2026-fact-sheet-on-the-afcfta-benefits-for-africa-and-nigeria-notn-june-2018-1.html>

summit held in 2015.³² The negotiations were in two stages, with the first stage covering Trade in Goods and Services, while the second stage covers intellectual property, competition policy and investment, and by March 2018 negotiations for the first stage had been completed.

During the Extraordinary Summit of African Union Heads of State and Government held on 21st March 2018 in Kigali, Rwanda, the Agreement establishing the AFCFTA was signed by 44 Member States and the declaration launching the AFCFTA by 43 Member States. Currently, the agreement has been ratified by 54 of the 55 member states of the AU, which makes the regional bloc the largest in world. Nigeria became a signatory to the agreement in January 2019, and the instrument of ratification pursuant to the provision of Section 12 of the Constitution of the Federal Republic of Nigeria was deposited in December 2020.³³

The cornerstone of the agreement is the promotion of industrialization, sustained growth and development of Africa.³⁴ Hence, the agreement is an attempt by AU to achieve a continental integration, which will allow for free movement of persons, capitals, goods and services, with the aim of achieving economic integration, promoting agricultural development, food security, industrialization and structural economic transformation in the African continent.

The agreement became necessary, because African countries currently benefit from relatively low barriers to trade with the rest of the world.³⁵ The level of tariff protection faced by African exports into the rest of the world was estimated at 2.5% compared to 13.6% protection by African countries against imports from the rest of the world.³⁶

Hence, characteristically of Free Trade Agreements, the AFCFTA, provides for the removal of customs duties, taxes, fees, tariffs and other quantitative measures, which consequently allows the member countries to have access to more markets, creates more opportunities for foreign direct investments, increases the quality of goods made available to the consumers as there is an influx of goods and the suppliers have greater competition, creates opportunities to solicit

³² Ibid.

³³ Trade Law Centre. 2021. Status of AfCFTA Ratification. Retrieved Oct 8, 2021 from <https://www.tralac.org/resources/infographic/13795-status-of-afcfta-ratification.html>.

³⁴ Nigerian Office for Negotiations. May.,2018. An Independent Study On the Potential Benefits of African Continental Free Trade Area (AFCFTA) on Nigeria. Retrieved Oct 4, 2021 from https://www.notn.gov.ng/bundles/notn/docs/AfCFTA_Study_Final_REPORT_May_2018.pdf

³⁵ Ibid.

³⁶ Ibid.

workers with expertise from other African markets, and encourages local industries to improve their competitiveness, while relying less on government subsidies, among other benefits.

In addition to this, the AFCFTA will lead to export diversification which in turn produces more sustainable growth, an enlarged regional market, attract better FDI, and the promotion of industrial exports can help catalyze structural transformation.³⁷ This agreement will allow African countries to export selected products to certain markets (mainly developed countries) at lower tariff rates than the most favoured nation rates.³⁸ These gains are likely to be uneven at the country level. In the specific case of Nigeria, the ACFTA is estimated to cause an 8.18 percent increase in Nigeria's total exports, with a structural shift in Nigeria's economy towards manufacturing and services. This is expected to lead to a total increase in Nigerian economic welfare by around \$2.9 billion in 2018 terms.³⁹

POTENTIAL IMPACTS OF AFCFTA ON TRADE IN NATURAL RESOURCES AND ECONOMIC DEVELOPMENT IN NIGERIA

Potential Impact in the Oil Sector

In the year 2018, Nigeria exported and imported goods to and from the rest of Africa to the value of US\$ 7 billion and US\$1.3 billion respectively.⁴⁰ The intra-Africa exports accounts for 13% of Nigeria's total exports while imports accounts for 4% of total imports. This position however, changed by the year 2020, where 19% of Nigeria's exports were intra-Africa while 8% of its total imports were from other Africa countries.⁴¹

From the 2020 index issued by the Nigeria Trade Law Centre, Nigeria's major exports were Crude Oil, which accounts for 88% of its total intra Africa exports, Floating structures for breaking up, which accounts for 3% of its total intra-African exports, Electrical Energy, which

³⁷ Trade Law Centre. 2018. Fact Sheet on the AfCFTA Benefits for Africa and Nigeria. Retrieved Oct 8, 2021 from <https://www.tralac.org/documents/resources/african-union/2026-fact-sheet-on-the-afcfta-benefits-for-africa-and-nigeria-notn-june-2018-1.html>

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ Trade Law Centre. August.,2019. Nigeria: Intra-Africa Trade and Tariff Profile-2018.Publication No. 14/2019. Retrieved Oct 11, 2021 from <<https://www.tralac.org/documents/publications/trade-data-analysis/2996-nigeria-intra-africa-trade-and-tariff-profile-august-2019/file.html>>

⁴¹ Trade Law Centre. May,2021. Nigeria: Intra-Africa Trade and Tariff Profile-2020. Retrieved Oct 11, 2021 from <https://www.tralac.org/documents/publications/trade-data-analysis/4321-nigeria-trade-and-tariff-profile-2020-infographic.html>

accounts for 2% of its exports, Petroleum gas and other gaseous hydrocarbons which accounts for 1% of its total exports, cigars of tobacco substitutes which accounts for 1% of its exports, Petroleum oils (excluding crude) which accounts for 1% of its exports, cement, which accounts 1% of its exports, pasta which accounts for 0.3% of its exports, minerals or chemical nitrogenous fertilizers which accounts for 0.3 of its exports and powered aircrafts which accounts for 19.31%.⁴²

Nigeria is one of the 9 African Countries with oil as a natural resource. Capitalizing on the export of crude oil has been the major source of revenue generation in the country, a fact which is ascertainable from the above index. Between the period spanning 2017 and 2018, Nigeria's world export increased by 30% while its intra-Africa exports increased by 41%. This increase is however attributed to a 50% increase in exports of crude petroleum oils and a 10% increase in exports of floating structures for breaking up. Currently, South Africa is Nigeria's major African trading partner both with respect to exports and imports and of the 88% of exports in crude oil, the country is accountable for half of this.

The most peculiar thing about this relationship, however, is that South Africa is not a member of the Economic Community of West African States (ECOWAS) which are part of the ECOWAS Free Trade Area.⁴³ Also, the country is not a member of the Community of Sahel-Saharan State (CEN-SAD) hence, trading between both parties does not benefit from the trade liberalization envisaged under these agreements.⁴⁴ However, South Africa is a signatory to the AFCFTA Agreement and has deposited its instrument of ratification, since the 10th of February 2019. With the understanding that the AFCFTA is premised on trade liberalization among the participating countries and is also geared towards economic integration, which will see the elimination of tariffs and other quantitative measures among the participating countries, it is projected that Nigeria's revenue will be enhanced particularly through its trade relations with South Africa.⁴⁵

⁴² Ibid.

⁴³ Trade Law Centre. August.,2019. Nigeria: Intra-Africa Trade and Tariff Profile-2018.Publication No. 14/2019. Retrieved Oct 11, 2021 from <<https://www.tralac.org/documents/publications/trade-data-analysis/2996-nigeria-intra-africa-trade-and-tariff-profile-august-2019/file.html>>

⁴⁴ Ibid.

⁴⁵ Trade Law Centre. 2021. Status of AfCFTA Ratification. Retrieved Oct 8, 2021 from <https://www.tralac.org/resources/infographic/13795-status-of-afcfta-ratification.html>.

Potential Impact in the Cement Industry

Aside the oil sector, the cement manufacturing subsector is critical for Nigeria's economic growth and job creation. Cements are produced through a combination of diverse resources including iron ore, which is abundant in Nigeria. Nigeria became self-sufficient in cement production in 2012, and became a net exporter in 2016 through the Dangote Conglomerate.⁴⁶ As of 2016, the Dangote group operates active businesses in 10 African countries, mainly in the Sub-Saharan region, including 2 countries where the group undertakes bulk import from Nigeria (Ghana and Sierra Leone) and 8 countries where the group maintains production.⁴⁷ These countries accounted for a combined GDP of \$1.2 Trillion in 2017, total cement market potential of 121.9 Mt per annum and total consumption of 64.3 Mt. Of these, the Dangote group had a production capacity of 45.8 Mt. and sales volume of 23.6 Mt, representing 38% of total capacity and 37% of total market consumption respectively.⁴⁸ Cement consumption in Sub-Saharan Africa grew at an average of 7.2% per year during 2010-2018 and is projected at 119.7 Mt in 2018, presenting a very large cement market.⁴⁹ At the current growth rate, it is projected that consumption will reach 181.7 Mt in 2024 and 275.7 Mt in 2030. The group's share of Sub Sahara African markets was estimated at 21.8% while its sales revenue is reported to be N615.1 billion and net worth (assets minus liabilities) of N797.3 billion in 2016. The group is investing in other countries, with a view to expanding the latitude of the business across the continent and the globe.⁵⁰ Hence, it is projected that with reduction in tariffs and the elimination in trade barriers under AFCFTA it will help to speed up this expansion plans, facilitate entry into other markets and consequently boast the economic revenue of Nigeria.⁵¹

Based on empirical evidence, with this projection, it is expected that a total of 16,045 jobs are expected to be created in Nigeria by 2023 within the cement sector, and the number is expected to rise to 35,085 in 2026 and 45,662 in 2030. In addition to these direct jobs, the growth of the

⁴⁶ Nigerian Office for Negotiations. May.,2018. An Independent Study On the Potential Benefits of African Continental Free Trade Area (AFCFTA) on Nigeria. Retrieved Oct 4, 2021 from https://www.notn.gov.ng/bundles/notn/docs/AfCFTA_Study_Final_REPORT_May_2018.pdf

⁴⁷ Ibid

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ Ibid.

group is expected to induce multiplier effects on the economy in terms of employment and output in the construction and services sectors that depend on the cement industry.⁵²

POTENTIAL CHALLENGES TO THE ACTUALIZATION OF THE PROSPECTS UNDER AFCFTA

A consented notion is that with the trade openness and the elimination of trade barriers, Nigeria stands to benefit from the trading bloc. Hence, there may be room for foreign direct investment, which enhances competition and makes services and goods available to the members of the country.⁵³ In the same vein, the manufacturers and other business owners within the country are accessible to a larger market which will consequently boost the revenue generated in the country. Hence, the country may export both the natural resources as well as the finished goods and in doing so consequently carve its comparative advantage.⁵⁴

This is possible and feasible because Nigeria has a stronger economy than many other African countries and the level of competition is not as astringent as it will be, when the competition is against other developed countries; where there is disequilibrium in the bargaining power. However, the clogs in the achievement of these goals are numerous. In the first instance, the absence of infrastructural facilities and the over capitalization on the oil sector has stifled the competitiveness of the economy. Hence, the manufacturing sector is constantly bedeviled by the absence of power, and social amenities, which consequently dampens the income generated, and consequently increases the cost of production and as such the cost of sale.⁵⁵

Therefore, where the operators within this sector cannot attain comparative advantage, it clogs their competitiveness, which might make the free trade agreement a suicidal mission, where the existing industries and manufacturing companies are stifled out of business by infrastructurally

⁵² *Ibid*

⁵³ Adebisi A. 2015. Trade Liberalization, Financial Development and Economic Growth in Nigeria (1986-2013). Thesis. Economics, Social Sciences. Obafemi Awolowo University. I+84. 30.

⁵⁴ Jack J., Nkwocha I., & Odubo T. 2016. Natural Resources Exploitation and Socio-Economic Development in Nigeria (1981-2015). *Sustainable Human Development Review*. 8:1-4: 77-101. 90. Retrieved Oct 4, 2021 from https://www.researchgate.net/publication/312030138_NATURAL_RESOURCES_EXPLOITATION_AND_SOCIO-ECONOMIC_DEVELOPMENT_IN_NIGERIA_1981-2015?

⁵⁵ Oyedokun G., Mansur I., & Awotomilusi N. Trade Openness, Foreign Direct Investment and Financial Development in Nigeria. 2019. *ESUT Journal of Accountancy*. 10:1:155- 168.P. 170.

equipped businesses. This may in turn result in loss of jobs and consequently affects the struggling financial economy of the country.⁵⁶

Also, revenue diversification has been a major source of economic regression in the country and a fact which has affected the competitiveness of the country in the global market, and which may hinder the attainment of the benefits of AFCFTA.⁵⁷ Hence, rather than channeling the resource rents towards the improvement of the revenue generating sectors as well as other economically viable sectors, the resource rents are used in over compensating for public office and further diversified for private purposes, a notion known as corruption or embezzlements.⁵⁸

Again, while dumping, counterfeiting and sub standardization are preexisting issues in Nigeria, the situation may become even much worse with the trade liberalization being pursued under AFCFTA. This is so, because of the ineffectiveness of the agencies charged with the responsibility to prevent this.⁵⁹

With the inability of ECOWAS to attain its objective and its seeming failure as an economic integration, it becomes questionable whether AFCFTA will not meet the same dead end considering the fact that the same states are under this new trading bloc. Under the latter agreement members easily abandoned their obligations under the agreement without sanctions and there was proliferation in the number of illegal immigrants within Nigeria while the borders became even more porous; making the trading bloc more burdensome than beneficial. In addition to this, the apparent failures of the African Union as a political union in the realm of peace, security and conflict resolution in the course of the years as raised considerable doubts as to the possible success of the union as an economic union.

⁵⁶ Jack J., Nkwocha I., & Odubo T. 2016. Natural Resources Exploitation and Socio-Economic Development in Nigeria (1981-2015). *Sustainable Human Development Review*. 8:1-4: 77-101. 90. Retrieved Oct 4, 2021 from https://www.researchgate.net/publication/312030138_NATURAL_RESOURCES_EXPLOITATION_AND_SOCIO-ECONOMIC_DEVELOPMENT_IN_NIGERIA_1981-2015?

⁵⁷ Agwara J. 2007. Resource Curse in Nigeria: Perception and Challenges. Retrieved Oct 8, 2021 from <https://core.ac.uk/download/pdf/11871241.pdf>

⁵⁸ Ibid.

⁵⁹ Shittu A., & Ogunrinu A. 2018. Chinese Investment and Its Implications for Nigeria's Economic Security. *Brazilian Journal of African Studies*. 3:6: 123-142. 130.

CONCLUSION AND RECOMMENDATIONS

Trading in economic resources has been and is still a major source of revenue generation for many countries; developed, developing and underdeveloped. With the uneven distribution of these resources within the ecological system, many countries consequently economically integrate for the purpose of attaining the much-needed resource from a resource viable country. This exchange is often premised on mutual benefits and should ordinarily deliver an equitable benefit for the participating countries. However, more often than not, this is not the case when this integration is between countries with different levels of development and in such cases, the result is often that a country obtains more benefit than the other, as the bargaining power is at disequilibrium.

The African Continental Free Trade Agreement is designed to ameliorate these inadequacies by guaranteeing economic integration between countries with relatively similar levels of development, and Nigeria is one of such. Thus, Nigeria can trade in natural resources with other African countries with relatively lesser restrictions. However, to ensure that it effectively derives all the potential benefits from this economic integration, it is recommended that:

1. Infrastructural facilities and social amenities be put in place to ensure the competitiveness of all sectors and prevent a situation whereby foreign companies will stifle the growth of the local companies;
2. While the cost of infrastructural facilities have been the primary reason for their absence and the reason for the current south-south cooperation, infrastructural facilities will be attainable when the resource rents are adequately managed and this can be done by a reduction in the compensation of public office holders;
3. Agencies charged with the responsibility of ensuring standardization and preventing dumping must be made to discharge their functions effectively;
4. An end should be put to ECOWAS as a trading bloc in order to avoid the duplication of responsibilities under the agreements and to prevent the ineffectiveness of the prospects under AFCFTA by over burdening the participating states;
5. Provision should be made for economic sanctions in the case of defaulting states.