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Nigeria's Economy and the African Continental Free Trade Agreement: Issues and Prospects

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Abstract: The African Continental Free Trade Agreement was established by the African Union to eliminate trade barriers and foster a trading relationship that will promote socio-economic growth and deepen the economic integration of the member countries. The trade agreement was established in solidarity with the Regional Economic Communities that were in existence long before it came to light. The trade was officially kicked off on the 1st of January, 2021 and the effects are yet not felt in Nigeria's economy. Studies have shown that the trade agreement has the potentials to positively affect economies of member countries including Nigeria. Some analysts believe that there is a silver lining to this trade agreement for Nigeria, others have outlined that the deplorable state of the Nigeria's manufacturing sector, the mono-economic nature of the Nigeria's economy, trade policy restrictions, among other things, have made the country not yet ready to maximize the benefits of the trade agreement. It is recommended among those that the manufacturing sector should be restructured and steps should be taken to diversify the economy of Nigeria so as to reap the benefits of the trade agreement.

KEYWORDS: Free trade agreement, Economy, Economic integration, African Union, Trade

Introduction

International economic relations have evolved over the years through regional economic integration. Regional economic integration is an arrangement among neighbouring nations that typically includes the reduction or elimination of trade barriers and the coordination of monetary and fiscal policies (Kenton, 2021). Conceptually, Regional economic integration consists of seven different stages or levels namely; Preferential Trading Area, Free Trade Area, Customs Union, Common Market, Economic Union, Economic and Monetary Union and, Complete Integration (Kenton, 2021). The theoretical development of economic integration depends on the welfare effects of the different levels of integration (Peiris, Azali, Habibullah & Hassan, 2015).

Of course, regional economic integration is one of the main trends in the development of international economic relations and the presence of multiple examples, demonstrates that it is a global phenomenon. The European Free Trade Association (EFTA) of 1960, the North American Free Trade Agreement (NAFTA) of 1994 and the ASEAN Free Trade Area (AFTA) of 1993 are few indications of regional economic integration (Marinov, 2014).

In Africa, the member states of the African Union (AU) signed the African Continental Free Trade Agreement (AfCFTA) which is regarded as the largest free-trade agreement, since the inception of the World Trade Organization. The AfCFTA is a flagship project of Agenda 2063 and refers to a continental geographic zone where goods and services move among member states of the African Union (AU) with no restrictions (The African Union Commission, 2018). The AU, at its 18th Ordinary Session held at Addis Ababa, Ethiopia in January 2012, agreed to establish the Continental Free Trade Area and was proposed to have been launched by the end of 2017 (Sagili, Peters & Knebel, 2018). Actual negotiations to broker a free trade area in Africa started in February 2016 and by 21st March 2018, at the 10th extraordinary session of the AU Assembly, this agreement was signed by 44 out of the 55 member states in Kigali, Rwanda (Kuwonu, 2021; Albert, 2019). As stipulated by Article 23 of the Agreement, 22 countries are needed to have signed (the agreement) and submitted their instrument of ratification with the African Union Commission (AUC) Chairperson before the agreement could be entered into force. Although the 22-country threshold was reached on 29th April 2019, the agreement was entered into force on the 30th of May, 2019 with 24 countries having submitted their instruments of ratification (Tralac, 2021). AfCFTA Secretariat is situated in Accra, Ghana and was commissioned and handed over to the AU by the President of Ghana on 17th of August, 2020 (Ighobor, 2020).

The 12th Extraordinary Session of the Assembly of the African Union in Niamey, Niger on the 7th of July 2019, launched the operational phase of the agreement. The actual trading, which was originally planned for 1st July 2020, started on 1st January 2021. The delay was due to the COVID-19 pandemic that ravaged the world. According to Tralac (2021), of the 55 AU member states, only Eritrea has yet to join while 36 countries have both signed and deposited their instruments of AfCFTA ratification with the AU Committee Chairperson as of 5th February 2021.

The AfCFTA has the potential of connecting 1.3 billion people across 55 countries with a combined gross domestic product (GDP) valued at US$3.4 trillion and should reduce tariffs among member countries and cover policy areas such as trade facilitation and services, as well as regulatory measures such as sanitary standards and technical barriers to trade (World Bank, 2020).

Nigeria signed, ratified and submitted its instrument of ratification on the 7th July 2019, 11th Nov and 5th December 2020 respectively (Kazeem, 2020; UNECA, 2020). It is pertinent to note that there was a momentary hold up before Nigeria, alongside South Africa, could sign the treaty. The delay was due to the fear envisaged by the President and relevant stakeholders like the Manufacturing Association of Nigeria (MAN) that the outcome of the agreement will undermine local manufacturers and entrepreneurs, or may lead to Nigeria becoming a dumping ground for finished goods (Jibrilla, 2018).

Before the emergence of AfCFTA, Nigeria is member to other different trade agreements with countries within and outside Africa which include;

- The Economic Community of West African States (ECOWAS),
- The West African Economic and Monetary Zone,
- The West African Monetary Zone,

- The Trade and Investment Framework Agreement (TIFA) with the United States,
- The Global System of Trade Preferences (GSTP) among Developing Countries, and
- The EU - West Africa Economic Partnership Agreement (EPA).

However, these have not translated to the welfare and prosperity of the country as Nigeria still has the largest population of people living in poverty (Oyelami, 2021). About 39.1% of Nigerians live below the international poverty line of $1.90 per person per day (NBS, 2021). Balassa (1962) outlined four criteria for measuring the economic welfare of economic integration:

- a change in the number of commodities produced,
- a change in the degree of discrimination between domestic and foreign goods,
- a redistribution of income between nationals of different countries, and
- income redistribution within individual countries

Given that the AfCFTA has officially been kicked off on January 1, 2021, would Nigeria's economy change positively? Therefore, using scooping method, this paper examined the issues and prospects of the African Continental Free Trade Agreement on African and Nigeria's economy in particular.

Literature Review

Several economic integrations have been initiated and enforced over the years but, the AfCFTA is the most ambitious (Abrego, Amado, Gursoy, Nicholls & Perez-Saiz, 2019). A Continental Free Trade Agreement is widely seen as a crucial driver for economic growth, industrialization and sustainable development in Africa (Saygili, Peters, & Knebel, 2018). It was on this note that the AU decided to initiate and implement the AfCFTA. The AfCFTA is expected to create a Continental Free Trade Area for goods and services, liberalize and facilitate the free movement of people, investments and businesses in Africa (Oyedele, 2020).

Vir (2021) saw the AfCFTA as a single market for goods and services, facilitated by the movement of persons, to promote industrial development and sustainable and inclusive socio-economic growth to deepen the economic integration of Africa. Mutahi and Mudibo (2021) say it would create job and employment opportunities across the continent and likewise reduce the prices of goods in shops.

The intra-Africa trade is significantly low as it accounts for 12% of trade whereas, that of the US, Asia and Europe account for 50%, 60% and 70% of trade respectively (Vir, 2021). This development reduces foreign investments within the continent as it gives way for more dependence on foreign markets. The trade agreement is therefore a welcomed development as it promises to create a platform for synergy among Africans through doing business together, strengthening the continent's resilience (Vir, 2021).

United Nations Economic Commission for Africa (UNECA) (2019) estimates that the agreement will boost intra-African trade by 52% by 2022. Saygili *et al.* (2018) observed that trade within the African continent is of better quality than trade between Africa and the rest of the world. The former records a higher manufacturing (46.3%), and medium- and high-technology content (27.1%) as well as more product diversity than the latter, and so the African countries can be transformed by expanding domestic productive capacity through the free trade agreement. This will enable them to move up the value chain and diversify local and export production.

Institutional Framework of AfCFTA

Part 3, Article 9 - 13 of the Agreement established the institutional framework for the implementation, administration, facilitation, monitoring and evaluation of the AfCFTA. The framework consists of the following:

The Assembly

This is the highest decision-making organ of the AU. Article 10 of the agreement states that it shall provide oversight and strategic guidance on the AfCFTA and, maintain the exclusive authority to adopt interpretations of this Agreement on the recommendation of the Council of Ministers.

The Council of Ministers

According to Article 11 of the Agreement, the Council of Ministers shall consist of the Ministers responsible for Trade or such other ministers, authorities, or officials duly designated by the State Parties and they shall report to the Assembly through the Executive Council. Amongst other things, their primary responsibilities are to ensure effective implementation and enforcement of the Agreement and, take measures necessary for the promotion of the objectives of the Agreement and other instruments relevant to the AfCFTA.

The Committee of Senior Trade Officials

Article 12 of the Agreement states that the Committee of Senior Trade Officials shall consist of Permanent or Principal Secretaries or other officials designated by each State Party. They are to report to the Council of Ministers and shall, amongst other things, be primarily responsible for implementing the decisions of the Council of Ministers as may be directed and for the development of programmes and action plans for the implementation of the Agreement.

The Secretariat

Article 13 of the Agreement provides that the Assembly shall establish the Secretariat, deciding on its nature, location, structure and budget. The Secretariat shall be an autonomous institutional body within the AU system with an independent legal entity. The roles and responsibilities of the Secretariat shall be determined by the Council of Ministers of Trade.

Objectives of AfCFTA

The AfCFTA set out to progressively eliminate 90% of the tariffs on goods within 10 years and more for the remaining 10% (Mutahi & Mudibo, 2021; Olagunju, 2021). These tariffs are said to stand at an average of 6.1% which implies that businesses pay more to export within Africa than to export outside Africa (UNECA, 2019). To achieve this, Article 3 of the Agreement outline the following general objectives:

1. Create a single market for goods, services, facilitated by movement of persons to deepen the economic integration of the African continent and in accordance with the Pan African Vision of "An integrated, prosperous and peaceful Africa" enshrined in Agenda 2063;
2. Create a liberalised market for goods and services through successive rounds of negotiations;
3. Contribute to the movement of capital and natural persons and facilitate investments building on the initiatives and developments in the State Parties and Regional Economic Communities (RECs);
4. Lay the foundation for the establishment of a Continental Customs Union at a later stage;
5. Promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation of the State Parties;
6. Enhance the competitiveness of the economies of State Parties within the continent and the global market;

7. Promote industrial development through diversification and regional value chain development, agricultural development and food security; and
8. Resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.

Phases of Operation of AfCFTA

The operational implementation of the AfCFTA was meant, ab-initio, to be done in 2 phases (Phase I and Phase II) which are documented in protocols. These protocols form the basis on which the agreement will be implemented. They constitute the main substantive and operative components of the agreement (Albert, 2019). However, in February 2020, the African Union (AU) Assembly adopted a decision to commence Phase III, immediately after Phase II Negotiations (Chidede, 2021).

Phase I

Phase I, which was activated on the 30th of May, 2019, comprises 3 Protocols: Trade in Goods, Trade in Services and, Rules and Procedures for Settlement of Disputes. Trade in Goods entails the liberalisation of 90% on tariffs for non-sensitive goods that will be traded under a preferential rate of import and export duties within 10 years and more for the remaining 10%. The 10% is categorized into Sensitive Goods (7% tariff lines) and Exclusion List (3% tariff lines). The Trade in goods Protocol is annexed into tariff concessions, rules of origin, customs cooperation, trade facilitation, non-tariff barriers, technical barriers to trade, sanitary and phytosanitary measures, transit trade and facilitation, and trade remedies.

Table 1 represents the product categories and their tariff lines for liberalisation.

Table 1: Schedule of Product Categories and Liberalization

		Tariff Reductions		
		For Non-sensitive Products (90%)	**For Sensitive Products (7%)**	**For Excluded Products (3%)**
Country Classification	**Non-Least Developed Countries**	Fully liberalized over 5 years (linear cut)	Fully liberalized over 10 years (linear cut)	No cut
	Least Developed Countries	Fully liberalized over 10 years (linear cut)	Fully liberalized over 13 years (linear cut)	No cut
	Group of Seven (i.e. Djibouti, Ethiopia, Madagascar, Malawi, Sudan, Zambia, Zimbabwe)	85% fully liberalized over 10 years (linear cut); an additional 5%	Fully liberalized over 13 years (linear cut)	No cut

	fully liberalized over 15 years (linear cut)	

Source: Albert, 2019

Negotiations on Trade in Services began by June 2018 having identified five priority sectors: financial services, transport, telecom/information technology, professional services, and tourism (World Bank, 2020). According to Part 3, Article 3 of the Agreement, the objective of this protocol is to create a single liberalised market for trade in services and it is annexed with Schedules of Specific Commitments, Most-Favoured-Nation (MFN) Exemption(s), Air Transport Services etc. As at 2021, 16 specific commitments are being considered with outstanding tariff offers (EY, 2021).

Rules and Procedures for settlement of disputes is the third protocol in Phase I with the specific objective of ensuring that the dispute settlement process is transparent, accountable, fair, predictable and consistent with the provisions of the Agreement. A mechanism has been set up for traders to report and address Non-Tariff Barrier complaints. The mechanism is expected to be on a state-to-state basis and will involve consultations and conciliation, among others (EY, 2021; Tayo, 2021). The online portal for complaints is: https://tradebarriers.africa/register_complaint.

Negotiations continue on some issues in Phase I; rules of origin and schedules of tariff concessions (Trade in Goods), and schedules of specific commitments on the five priority service sectors (Trade in Services). These outstanding issues were expected to be concluded by June 2021 (Chidede, 2021).

Phase II

Negotiations on Phase II was set to commence by end of 2018. It became imperative since Phase I alone, was said to not guarantee African prosperity (UNECA, 2018a). Phase II is comprised of 3 Protocols: Investment, Competition Policy and Intellectual Property. The deadline for the end of negotiations on Phase II was initially set for late December 2020 but was not feasible due to the COVID-19 Pandemic. A new deadline for the conclusion of the Phase II negotiations was set by the AU Assembly for 31st December 2021 (Chidede, 2021).

Phase III

In February 2020, Phase III which focused on E-commerce was adopted by the AU Assembly. Negotiations on this phase are expected to begin once that of Phase II is concluded and it will focus on E-Commerce (Chidede, 2021).

Differential Treatment of the Trade Agreement

The schedule of liberalization (Table 1), in recognition of the different capabilities and economic development levels of the member countries involved, implied a special and differential treatment. This means that the agreement will have a differential impact from country to country. In other words, bigger economies like Nigeria and South Africa will not be impacted the same way as smaller economies like Seychelles and Niger. Smaller and more fragile economies will be protected and will benefit more as it is expected that the least-developed countries would experience the largest growth in intra-African trade of industrial products. More still, more diversified economies will benefit more than the less diversified ones (UNECA, 2018b; Albert, 2019).

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AfCFTA and other Regional Economic Integrations in Africa

Before the initiation and launch of the AfCFTA, Africa is home to a plethora of regional economic trade regimes and integrations. These intra-African trade agreements include the sub-regional groupings, non-AU recognized economic bodies and the AU recognized Regional Economic Communities (RECs) (Abrego *et al.*, 2019).

The Sub-regional groupings include:

- The African Financial Community Franc Zone (AFCFZ)
- The Tripartite Free Trade Area (TFTA)
- The Common Monetary Area (CMA)
- The West African Monetary Zone (WAMZ)

The non-AU recognized economic bodies:

- The Economic and Monetary Community of Central Africa (EMCCA)
- The West African Economic and Monetary Union (WAEMU)
- The Economic Community of the Great Lakes Countries (ECGLC)
- The Indian Ocean Commission (IOC)
- The Mano River Union (MRU)
- The Southern African Customs Union (SACU)

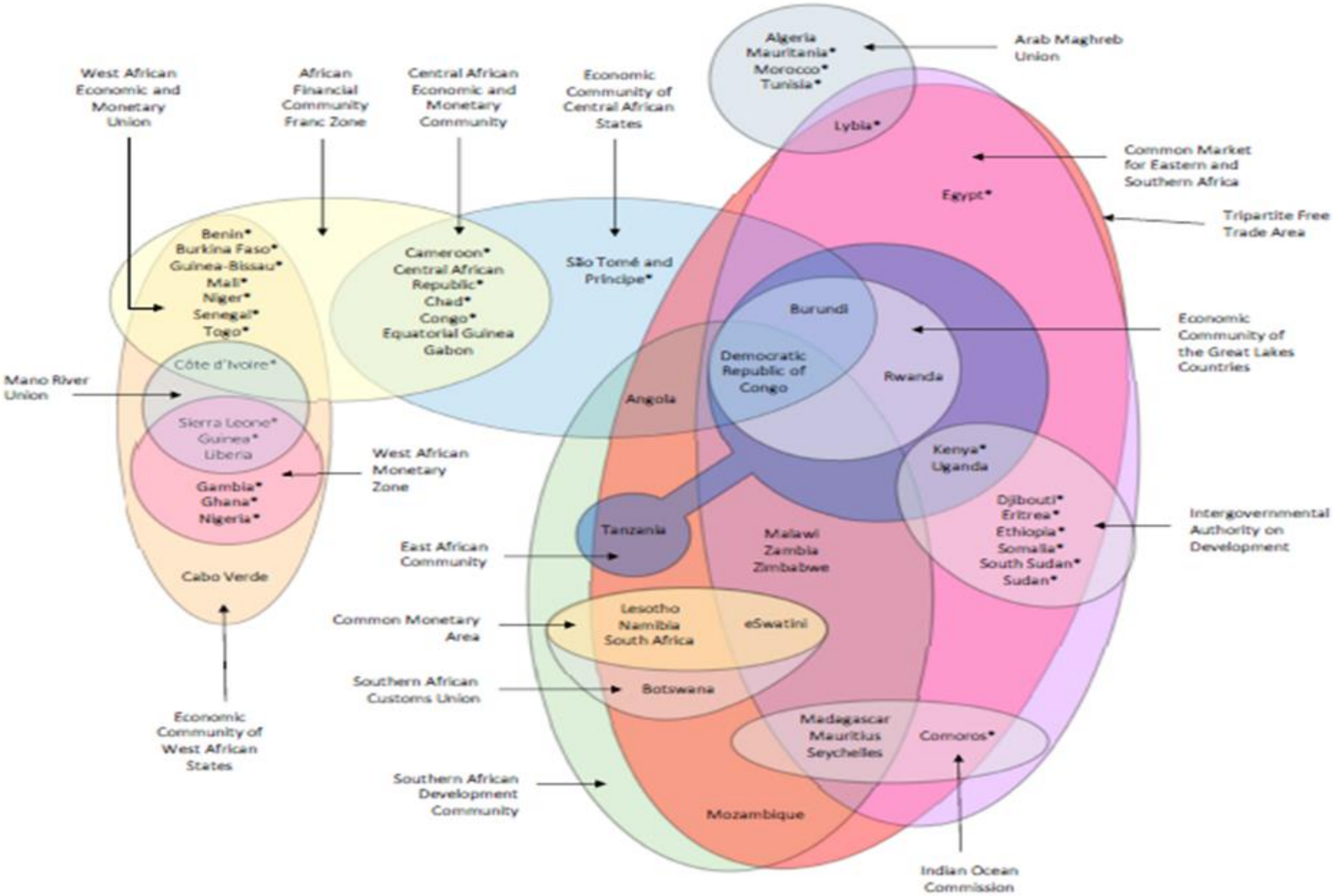
The AU recognized Regional Economic Communities (RECs):

- The Southern African Development Community (SADC)
- The Eastern African Community (EAC)
- The Common Market East and South Africa (COMESA)
- The Economic Community of West African States (ECOWAS)
- The Economic Community of Central African States (ECCAS)
- The Intergovernmental Authority on Development (IGAD)
- The Arab Maghreb Union (AMU)
- The Community of Sahel-Saharan States (CEN-SAD)

One common feature of these economic integrations is that there are overlapping memberships. This became a problem as it caused duplication and sometimes competition in activities. Foreign affairs staff are overburdened with the responsibility of attending various meetings and summits (Bizoza, Kayitesi & Sipangule, 2016). The overlapping membership gives rise to a phenomenon known as *Spaghetti Bowl Effect*.

Spaghetti Bowl Effect is where the increasing number of Free Trade Areas (FTAs) between countries slows down trade relations between them (Bhagwati, 1995). It leads to countries adopting discriminatory trade policies and reducing the economic benefits of trade. This condition has complicated trade relationship among African countries of which, unifying the trade regimes across the continent will be the remedy (United Nations Conference on Trade and Development [UNCTAD], 2019). Three RECs (COMESA, SADC and EAC) attempted this remedial action by coming together to form the Tripartite Free Trade Area (TFTA) (Albert, 2019). It is on this premise that the AfCFTA takes a cue.

Figure 1 depicted the regional trade arrangements in Africa showing the Spaghetti bowl effect.



Source: Abrego et al., 2019.

Note: Asterisks indicate the 29 members of the Community of Sahel-Saharan States.

Fig. 1: Regional Trade Arrangements in Africa showing the Spaghetti Bowl Effect

The RECs are key players in implementing Africa's transformative programs like the New Partnership for Africa's Development (NEPAD) and achieving the Agenda 2063 (UNCTAD, 2019). The AfCFTA acknowledges the existence of these RECs and regards them as building blocks for actualizing its goal of an African wide economic integration (UNCTAD, 2016). Also, in recognition of the different approaches to and the different levels which the RECs have attained in economic integration, the Trade Agreement provided in Article 19, Paragraph 2 that;

State Parties that are members of other regional economic communities, regional trading arrangements and custom unions, which have attained among themselves higher levels of regional integration than under this Agreement, shall maintain such higher levels among themselves (Trade Agreement, p.13).

Anything other than this, the provisions of the Trade Agreement take precedence. By implication, the AfCFTA is established on the solidarity of the RECs (Eke, 2021).

Benefits of the AfCFTA

The economic benefits of AfCFTA are enormous. These benefits would include boosting trade, welfare gains and fostering a vibrant and resilient African economic landscape (UNCTAD, 2017). IMF (2018) estimated that the trade agreement has the potentials of raising the share of intra-African trade in total African trade from about 10.2% to 15.5% within twelve years. This share could be raised to 22% if the relevant trade facilitation measures are improved.

AfCFTA would address the sustained economic fragmentation in the form of trade barriers in Africa (World Bank, 2020). The report also specified that the AfCFTA will avail a platform for countries to boost growth, reduce poverty and broaden economic inclusion as it is expected to;

- Lift 30 million Africans out of extreme poverty and boost the incomes of nearly 68 million others who live on less than $5.50 a day;
- Boost Africa's Real Income Gains by $450 billion by 2035 (a gain of 7%) while adding $76 billion to the income of the rest of the world. This increase will come partly from the reduction of tariffs and mostly from the reduction of non-tariff barriers (NTBs).
- Increase Africa's exports by $560 billion, mostly in manufacturing.
- Spur larger wage gains for women (10.5%) than for men (9.9%).
- Boost wages for both skilled and unskilled workers - 10.3% for unskilled workers and 9.8% for skilled workers.

Lin (2021) posits that apart from the expectations that the trade agreement will contribute to the alleviation of the economic damages caused by the COVID-19 pandemic, it will ensure economic development and sustainable growth that reaches all market sectors and participants.

Onwuka and Udegbunam (2019) observed that the AfCFTA could guarantee stronger integration among African countries. Vir (2021) outlined that the agreement will benefit the African Small and Medium scale Enterprises (SMEs) in the following ways:

- Fostering specialisation and boosting industrialisation;
- Increasing employment and investment opportunities, as well as technological development;
- Allowing African-owned enterprises to enter new markets, expand their customer base and create new products and services, making investing in innovation viable;
- Reducing the manufacturing gap, creating more avenues for SMEs to create more well-paid jobs, especially for young people; and
- Increasing investments that drive capital to domestic businesses.

SMEs are of great importance because their economic activities are responsible for more than 80% of Africa's employment and 50% of its GDP and so, it is expected that the trade agreement will boost them (Albert, 2019). The AfCFTA will help in increasing African companies' competitiveness and efficiency, strengthening Africa's position within the international trade system and impacting positively on the continental value chain (Albert, 2019).

Based on the Differential Schedule of Liberalisation which the trade agreement proposes, UNECA (2018b) expects that it is going to be a win-win situation where every country will benefit from economic growth. The differential impact may generate greater benefits for smaller economies like Malawi and Niger.

UNECA (2019) reports that the AfCFTA will provide solutions to the challenges women face as informal cross-border traders. Women account for 70% of the total informal cross-border traders and while doing so, they are faced with challenges like harassment, extortion, violence and confiscation of goods. AfCFTA makes it more affordable for informal traders to operate through formal channels, which offer more protection (UNECA, 2019).

Challenges of AfCFTA

There are negative effects expected from the AfCFTA on the African economy. The trade agreement is beneficial to the economies in the long run but it is a different story in the short run. In the short-run, structural change through the relocation of labour, capital and other factors of production entails adjustment costs (Saygili *et al.*, 2018). These adjustment costs will pose more challenge to the less diversified and flexible countries than the more diversified ones (Albert, 2019). Also, still in the short run, the unskilled labour will be adversely affected and this may lead to social tensions.

It has been established that the trade agreement will increase competitive pressures which will, in turn, improve firm efficiency. However, smaller firms will be affected adversely when they are met with stiffer competition (Saygili *et al.*, 2018). They would experience higher trading cost and consequently be met with financial challenges while competing with bigger firms (Albert, 2019).

The trade liberalisation will significantly affect the government budget balances/revenue from tariffs and import duties in some countries. This may, in turn, adversely affect the governments' capacity to invest in infrastructure, education and social programs, which are crucial for attaining sustainable development (Albert, 2019; Eke, 2021).

The intra-continental trade and exchanges could increase Carbon dioxide (CO_2) emissions which may have negative effects on the environment (Albert, 2019).

There are yet some other challenges that have been identified to hinder the full implementation of the trade agreement. Vir (2021) outlined the following challenges of SMEs which indirectly hinders the trade agreement:

- Deficiency in the human and technological capacity of SMEs making them vulnerable to larger firms;
- Limited access to SME finance and trade finance/high cost of capital;
- Poor/limited access to good infrastructures like steady power supply, good road network and transport system, and digital infrastructure;
- Foreign suppliers dominating the market making the local producers lose out; and
- Loss of intellectual property to larger corporations due to poorly enforced patent laws.

In addition to the aforementioned, Mutahi and Mudibo (2021) outlined the following challenges that impede the trade agreement:

- Customs systems/delays, security issues and communication barriers;
- Some countries are yet to gazette the specific changes on their tariffs and finalise their customs processes, such as the procedures for presentation, identification and clearance of goods. Tariff reduction has not taken effect in those countries and so prices of goods are still high there.

- Many African countries prefer to trade with their colonial masters than with their neighbours.

Olagunju (2021) highlighted the following challenges:

- Restrictive Trade Policies and/Protectionism among some African Countries (Import and Export Restrictions);
- Extensive Political Instability;
- Regional Tension/Conflict (Eritrea and Ethiopia);
- Unofficial Trade barriers like Roadblocks, bribery and harassment on informal traders; and
- Pursuit of short-term national interests and political relevance by the political elites, rather than implementing regional commitments.

Tayo (2021) also pointed the following challenges:

- Bureaucratic Red Tape i.e., extensive paperwork or rigid routine;
- Rent Seeking by Government officials;
- Transportation costs;
- Producers unable to meet local demand for cars making it Africa's highest-value import after petroleum products. Africa spent $19 billion importing cars in 2019 and $4 billion was from Nigeria (Tayo, 2021).

The xenophobic tendencies exhibited by some African countries is another factor to consider as militating against economic integration. These tendencies cause tensions among countries which prevents trade to take place. South Africa, Ghana and Libya are good examples.

The devastating effect of the COVID-19 pandemic cannot be left out. The pandemic impacted directly on economic integration and intra-African trade. Oyedele (2020) pointed out, amongst other things, that the pandemic affected trade within Africa through the border closures and travel bans; all negotiations on the tariff concessions were halted as countries were focused on saving lives; disrupted the regional value chain.

Byiers, Karaki and Woolfrey (2018) highlighted that several Regional Economic Communities (COMESA, EAC, ECOWAS, and SADC) have made efforts to take care of these problems by creating collective industrial strategies. However, over time, these regional strategies failed to achieve their objectives. This is largely due to the enforcement challenges with regional bodies and the contradictions between national interests and measures on industrial objectives of the regional communities.

Nigeria's Economy and the African Continental Free Trade Agreement

Nigeria is one of the largest economies in Africa with a population of over 200 million people, constituting almost 20% of the total African population (Eke, 2021). As reported by the African Development Bank (2021), Nigeria recorded a -3% growth due to the recession occasioned by the COVID-19 pandemic in 2020. Being a middle-income economy and one that thrives and depends majorly on the oil sector (NESG, 2019), oil has become the main source of foreign exchange earnings and government financing. Oil constitutes 80% of revenue and 95% of export earnings, 83% of Federal Government revenue and 65% of government budgetary revenues and 95% of foreign exchange earnings (CBN, 2010).

Nigeria is termed as a net importing country concerning non-oil industrial goods and by implication, Nigeria earns substantially from tariffs paid by importers. The revenue of over ₦400 billion recorded by the Nigerian Customs Services in 2019, gives credence to this assertion (Eke, 2021).

Nigeria recorded a total trade of ₦32.42 trn in 2020 which is 10.3% less than the value recorded in 2019 (₦36.15trn). This translates to a deficit of ₦7.37trn as against a surplus of ₦2.23trn in 2019. The total export stood at ₦12.5trn which was 34.8% lesser than the export value in 2019 whereas, the total import stood at ₦19.9trn, 17.3% higher than the import value in 2019 (NBS, 2021).

The predominant export in Nigeria remained the Crude oil and Petroleum related products which accounted for 78.9% and 13.5% of total export respectively. The crude oil export recorded a deficit of 35.7% as the value for the year 2020 was ₦9.44trn compared to ₦14.69trn recorded in 2019. The non-oil export components (Manufactured, Agricultural Raw materials Goods etc) recorded relatively low values accounting for 7.6% of total export. On the other hand, manufactured goods and Petroleum related products dominated Nigerian imports accounting for 64.6% and 13.9% of total imports respectively (NBS, 2021).

Exports from Nigeria to Africa was more than imports from Africa in 2020. Nigeria's trade with Africa is very low at 8.13% compared to other regions such as Asia (43.9%), Europe (35.5%) and America (11.8%). These were the top regions that traded with Nigeria in 2020 (NBS, 2021).

The trade deficit most especially, the significant drop in crude oil export, recorded by Nigeria in 2020 was caused by Nigeria's Foreign Exchange crisis, insecurity, ports congestion, and the COVID-19 pandemic that disrupted many economies causing economic recession (Proshare, 2021; Sule, 2021).

Apart from signing and ratifying the AfCFTA, it is pertinent to note that the Nigerian government has shown commitment towards its success by way of policy formulation. Oyedele (2020) outlined these measures as follows:

- The ***National Action Committee (NAC)*** for the implementation of the AfCFTA which was established by the President, Muhammadu Buhari on the 28th of July, 2019. The committee, which is chaired by the Hon. Minister of Industry, Trade and Investment, is comprised of representatives of Ministries, Departments and Agencies, and selected stakeholder groups from the private sector and the civil society to coordinate the implementation of all the AfCFTA readiness interventions.

- The ***Finance Act*** was signed by the President on the 13th of January, 2020. The Act, which contains tax reliefs especially for micro, small and medium enterprises, is meant to attract investors, promote ease of doing business and accelerate activities promoting economic growth and development in Nigeria.

- The ***New Visa Policy*** allows for citizens of other African countries to be issued a visa on arrival in Nigeria as against having to apply for a Nigerian visa in their respective countries. This visa policy, which was launched on the 4th of February, 2020, was in a bid to promote trade within the African continent and ensure the success of the AfCFTA.

In addition, the Federal Government through the Nigerian Office for Trade Negotiations (NOTN), has outlined measures that exporters that want to take advantage of the AfCFTA should follow. This move followed the kick-off of actual trading under the AfCFTA agreement on 1st January 2021 (Olisah, 2021). The measures are as follows:

- Exporter or agent must secure all necessary licenses, permits, certificates and necessary documents from relevant agencies like Nigerian Export Promotion Council (NEPC), Standard Organization of Nigeria (SON), National Agency for Food and Drug Administration and Control (NAFDAC), Nigerian Agricultural Quarantine Service (NAQS) and others.

- Ensure that the product qualifies for export under AfCFTA.
- Next, create a bill of entry, attach all relevant permits from government agencies and secure reservation with shipping or Airline Company. Apply for the Nigerian Customs Service AfCFTA Certificate of Origin after paying a fee.
- The Nigerian Customs Service is the issuer of the certificate, however, the Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture (NACCIMA) must vet the application.
- Also, other accompanying documents required for shipment under AfCFTA should be included like Certificate of origin, Nigerian Customs Bill of Entry, Bill of Lading, Packing List, and Certificate of Analysis.

The compulsory documents for AfCFTA trading are Supplier/Producer's declaration form, Origin of declaration form and AfCFTA Certificate of origin.

What does the AfCFTA mean for the Nigerian economy? Amidst the obvious benefits that could be accrued from the implementation of the trade agreement, some analysts argued that the AfCFTA will not guarantee economic growth in Nigeria as it is not ready (Ubi, 2018; Centre for International Private Enterprise [CIPE], 2020). They argue specifically that:

i. Nigeria's manufacturing sector is characterized by low industrial activities and value addition. The reason for this points towards some factors like the inability to access capital, insecurity, poor infrastructure, weak institutional framework, and corruption. This means that Nigeria is yet to deepen its value chains and so there is no competition, efficiency and gains from economies of scale as firms cannot access a bigger market. With this situation, harnessing the potentials of the trade agreement could be difficult.

ii. Insecurity and the high spate of farmer's/herder's crisis, lack of storage facilities and infrastructure, logistics problems have affected the agricultural sector and so, has resulted in the high level of agricultural importation.

iii. Efforts of the Nigerian government to sustain industrialization and increase non-oil exports, amount to nothing as the plans, policies and incentives they have set in place are yet to yield a positive result (Proshare, 2021). This is probably because the institutional framework put in place to implement such policies are either weak or incompetent. In addition, political elites put their interest before the national commitment.

iv. Nigeria still imports a high quantity of manufactured, agricultural and raw material goods. The non-diversified nature of the economy makes it vulnerable to external factors/shocks and inflation. The trade agreement, under its differential schedule of liberalisation, proposes that well-diversified and flexible economies will benefit more which, Nigeria is not.

v. The NBS (2021) has also shown that Nigeria trades very little with Africa in comparison with its trade with other global regions. This development threatens the opportunity of Nigeria to become the industrial hub of Africa.

vi. As a major net import country, Nigeria makes substantial revenue from import duties. It is believed that the revenue accrued from import duties in Nigeria will drastically drop once the trade liberalisation is in force which will in turn, adversely affect the governments' capacity to invest in infrastructure, education and social programs, which are crucial for attaining sustainable development.

vii. Nigeria's restrictive trade policies (import and export restrictions) and protectionism is also an impeding factor. Arbitrary border closures and import bans on certain goods from other African countries negates the idea of free trade. The closure of the Nigerian-Benin border in 1984-1986, 1996, 2003; the import ban on 100 Ghanaian items in 2003 and the border closure in 2019 (of which 4 of the borders were opened in December 2020) are good instances (Olagunju, 2021). Up to 26 goods are prohibited from being imported into the country (FGN Single Window Trade, n.d) whereas, the CBN has also denied foreign exchange at official market rates to importers of more than 40 other goods (CBN, 2015).

viii. The NOTN reports that the Nigerian import and export ratio (terms of trade) in Africa is currently at 3:20. This index indicates that Nigeria is not a likely destination for intra-African trade (Eke, 2021).

ix. No measurable and qualitative human development impact from Nigeria's trade with other countries like China and the US has reflected on the economy (Ubi, 2018). In the same vein, Oyelami (2021) said that Nigeria's involvement in other trade agreements has not translated to the welfare and prosperity of the country.

Ihua, Ike-Muonso, Taiwo and Mba-Kalu, (2018) believe that there is some sort of silver lining to this trade agreement for the Nigerian economy. They argued that liberalization brings about economic benefits that far outweigh the short-term costs through a Schumpeterian-type process of disrupting and recreating at a larger scale, and so, it wouldn't be any different for Nigeria. They specifically argued that:

- Considering the trade trend in Sub-Saharan Africa (contraction of imports and exports by 6.6% and 0.3% respectively in 2016), one would expect that the implementation of the AfCFTA will improve African performance and also boost trade in the Sub-Saharan African region.
- Should Nigeria get involved with the trade agreement, it will create trade between Nigeria and the rest of Africa. They estimated that a 1% decrease in tariff rate imposed or faced by Nigeria in trading with the rest of Africa will increase trade in all cases by more than 1%. Furthermore, it is believed that South Africa impacts more on Nigeria's trade than all ECOWAS countries combined. So, with tariff reduction, Nigeria-Africa trade would increase by 1.21% if the ECOWAS effect is adjusted and by 1.17% with South Africa effect adjusted.
- Again, the envisaged fear that the revenue generated by the government from import duties will fall is allayed as the revenue generated through increased trade in the long term, will offset the short-term drop in revenue caused by tariff imposition.
- Finally, a fall in Nigeria's tariff rate will increase import which implies that the real effective exchange rate will reduce. This will, in turn, improve the trade competitiveness of Nigeria's exports.

Conclusion and recommendations

Generally, the effect of the AfCFTA has not translated to the welfare of the African citizens, prices of goods and services are yet to come down and tariffs among African countries are still high due to these challenges. Though, the Secretary-General of the AfCFTA, Wamkele Mene, believes it is a long, slow and complex process that will take time to be fully implemented and its potentials harnessed. It is then hoped that as time goes by, the full potentials of the trade agreement will be seen as trading started on the 1st of January, 2021.

Nigeria, as a country, is believed to be able to benefit from the trade agreement but the degradation of the manufacturing sector, rising insecurity and unpatriotic tendencies of many Nigerians, the restrictive trade policies, the non-diversified nature and the weak institutional framework of the economy have made Nigeria likely losers in the agreement.

This paper therefore, recommends as follows:

- That individuals and firms in Nigeria and Africa in general should look inwards and try to change the mind-set of patronizing products and services from non-African countries. It will increase intra-African trade and complement the commitments of the African leaders in the success of the AfCFTA.
- Respective Governments including Nigeria should see to it that policies geared towards effective implementation of the trade agreement should not just be formulated but also be set in motion. The Machinery put in place to carry out these policy actions should be up and doing.
- It is highly recommended that for Nigeria to be poised for the comparative advantage benefits of this trade agreement, it is expected that the issues bedeviling the manufacturing sector be sorted out to increase industrialization. Economic and political structures that shall promote mutual trusts and patriotism among Nigerian peoples must be allowed priority consideration.

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