African Continental Free Trade Area (CFTA) and Its Implications for Nigeria: A Policy Perspective

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***Abstract:* - The establishment of the African Continental Free Trade Area (CFTA) has generated many controversies across the globe as Nigeria- the giant of Africa and the largest economy in the continent declined to join. The reason was that Nigeria needed more time for consultations. This study is an attempt to help the government and policy makers in their search for answers regarding joining the CFTA. It is also essential for other African countries government's leaders who are still waiting for objective answers. Using secondary data from Central Bank of Nigeria, this study discovers that Nigeria can well fit into the Free Trade Area. In fact, Nigeria has the opportunity to benefit from the Free Trade Area more than any other country in the continent. The benefits can be maximised if Nigeria improves its infrastructures, develop human capital, empower youths and women, develop agricultural sector, encourage value addition, attract quality foreign direct investment, design and implement policies that will allow easy access to finance by investors and above all, tackle the insecurity situation in the country.**

***Keywords:* African, Nigeria, Continental Free Trade Area, Policy, Export, Regional Integration, international trade**

I. INTRODUCTION

The need for a study of this kind by Nigeria, other African countries and any other country intending to join a regional integration cannot be overemphasised. This is because the Nigerian Government is still deciding whether to join or not to join the recently concluded African Continental Free Trade Agreement. Whether to join the Union or not, it is up to the historical data to guide the Nigerian Government and policy makers. As can be deduced from the comments of the Nigerian President regarding his action to decline the signing of the free trade agreement, the main objective of the government is to protect domestic firms. However, this is similar to going back to the Nigerian Indigenisation Policies of 1970s in which the manufacturing sector was closed, in protection of local industries. It was obvious that protectionism did not work well for the local industries. The factors responsible include underdeveloped financial market, difficulties in accessing finance and loans, exorbitant and discouraging interest rate regimes, government competition with domestic industries in the local borrowing leading to crowding out of domestic investments, poor infrastructural development (especially electricity, transport and water), lack of technology, underdeveloped human capital, among others.Unfortunately, these factors are still obvious in Nigeria today. Financial institutions give more priority to the government and politicians than to the private sector, interest rates are the most expensive in the world (investment-discouraging interest rates), and government policies are inconsistent and lack transparency and continuity. Hence, these must change for industrialisation to be achieved.

The issue of economic and regional integration boils down to searching for the appropriate path to a sustainable economic growth and development, which has not been resolved for many several decades. However, protectionism is not a viable option for African countries including Nigeria because it failed many of them in the past. The governments of Africa must be serious and committed to development of their individual countries and continent by investing in infrastructure instead of diverting public resources for their personal uses, and just believe that mere protections can do the magic of industrialisation. Given that all the required infrastructures are put in place, competition is the key to industrialisation.

Promoting economic growth and the appropriate methods to achieve that has been a topic for economic discourse and research for the past several decades. According to Lin (2012), modern economic growth is a process of continuous technological innovation, industrial upgrading and diversification, and of improvements in the various types of infrastructure and institutional arrangements that constitute the context for business development and creation of wealth. While past theories have long emphasized the significance of market mechanisms in getting relative prices right and therefore facilitating efficient factor allocations, the growth experience in many countries shows that governments often play a crucial role in facilitating industrial transformation.

Similarly, the significance of international trade and trade openness in the economic development of nations has long been documented in the literature. Of paramount importance is the concept of comparative advantages, which a country must be able to identify. In this contemporary globalized world, a country that is comparatively better at producing only natural resources without value addition, must be extremely careful when selecting partner countries. A country like Nigeria that has comparative advantage in the production of crude oil, has to be careful when choosingits trading partners. For example, trade between Nigeria and USA and Europe could be a good decision if the aim of Nigeria is to import capital equipment from these countries while exporting crude oil. Importation of capital equipment can help in diversifying the economy by developing other sectors of the economy such as the manufacturing and agricultural sector. This will have a longer term positive effect on the industrialization process of the Nigerian economy.

However, trading with other developing African countries can only be beneficial when Nigeria has an added advantage of having developed industrial and agricultural sectors. Manufacturing sector would have been the alternative sector in which Nigeria can take advantage of trading with African countries. However, the Nigerian manufacturing sector is still underdeveloped mainly due to poor infrastructure in the country. The two major infrastructures namely, electricity and transport, are in a bad condition and this has led to the closure of many manufacturing firms in the country. This is therefore, a serious problem, which Nigeria must address if it is to take advantage of trading with other African countries, especially when the decision is to join the CFTA.

In view of the developmental challenges facing the African continent, the leaders of African countries decided that creating a one and all-inclusive giant market for the continent would be the viable option. Therefore, a decision was reached in 2012, during the 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union in Addis Ababa, Ethiopia, to establish a Continental Free Trade Area (CFTA). It was not until on the 21st of March 2018, 44 African leaders signed an agreement to create the CFTA after many years of negotiations. What was too glaring and surprising was the action of Nigeria - the Africa's biggest economy, of refusing to sign up to the trade agreement. The abstention of Nigeria and other prominent African countries including South Africa effectively weakened the impact of the Continental Free Trade Area, which was intended to bring together 54 African countries with a total population of over 1.2 billion people and a combined gross domestic product (GDP) of more than $3.4 trillion.

It is important to note that the main objective of the CFTA was to create a single continental market for goods and services, with free movement of persons and investments. The trade union is anticipated to enhance competitiveness at the industry and enterprise level, continental market access and better reallocation of resources.

According to the African Union Foundation (2018), The African Continental Free Trade Area (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 AfCFTA aims to boost Intra-African trade by providing a comprehensive and mutually beneficial trade agreement among the member states, covering trade in goods and services, investment, intellectual property rights and competition policy.This is not the first Trade Agreement on the planet because globally, countries are concluding Mega-Regional Trade Agreements (MRTAs), thus reshaping and changing the global trading landscape in the process. The establishment of the AfCFTA will enable Africa to strengthen its position vis-à-vis the rest of the world, speak with one voice and act in unanimity on all continental and international trade issues (AUF, 2018).

According to the African Union Foundation, some of the benefits to be derived from such continental market include, boosting employment opportunities; increased food security through reduction to barriers on trade in agricultural products; increased competitiveness of African industrial products through harnessing the economies of scale of a continental wide market; increased rate of diversification and transformation of Africa's economy and the continent's ability to supply its import needs from its own resources; better allocation of resources, improved competition and reduced price differentials; growth of intra-industry trade through regional value chains and development of geographically based specialization.The CFTA will promote innovation and enterprise through protection of intellectual property rights of African Private

Sector; reduced vulnerability of countries to external trade shocks by reducing the trade balance deficits of African Countries; enhanced participation of Africa in Global trade and reduced dependency on aid and external borrowing.There is also an understanding that the African CFTA will create a competitive environment in which consumers will benefit from lower prices and wider variety of good and services; and at the same time ensure maintenance of quality standards to safeguard the health and safety of the consumers.

Despite these benefits,countries tend to reap from the CFTA, why did Nigeria, which was at the lead of the negotiations and establishment of the CFTA, decline to sign the agreement? According to President Muhammadu Buhari, the President of Nigeria, Nigeria wants to "widen and deepen domestic consultations, to ensure all concerns were addressed, as it would not sign any agreement that would not fairly and equitably represent the interest of Nigeria and indeed, her African brothers and sisters." Even though the president has given some excuses for his decision not to sign the trade agreement, according to Ubi (2018) "he made the right call, in my view, not to commit the country to the CFTA". The President further reiterated his action by saying "We will not agree to anything that will undermine local manufacturers and entrepreneurs, or that may lead to Nigeria becoming a dumping ground for finished goods." Nigeria appears to have taken a departure from a trend when leaders of several African countries rush into signing agreements without proper consultations with their people (Ubi, 2018).

This study therefore aims at finding the right direction for the Nigerian government and its policy makers. As one of the few, if any, studies to have employed data to assist in policy decision regarding joining the Free Trade Area, this study is timely conducted and. The study contributes to the literature on economic and regional integration, which is contemporarily considered one of the best options for sustainable industrialisation.

The study employs a descriptive approach to data analysis using graphs and charts, which provide an insight into the Nigeria's trade position with the rest of the world and Africa in particular Decision on this basis can be considered more objective, rather than a mere blank criticism.

II. THEORETICAL REVIEW

Distinguishing the static and dynamic effects of regional integration, it has been argued that dynamic effects are represented by improved competition, investment flows, economies of scale, technology transfer, and enhancedproductivity (Hosny, 2013).Similarly, Marinov (2014) has summarised the dynamic effects of economic integration to include increased investment expenditure, sustainably increased demand, consolidation of production and increased specialization, improvement of the organization and management of production,and production technology, rationalisation of territorial distribution and utilization of resources, increased production efficiency, as well as enhancing economic growth.

Wandrei (2017) contends that regional integration denotes various types of political and economic agreements that form closer ties between independent countries. Such policies differ from trade agreements to more extensive treaties in which individual member countries sacrifice part of their national power to a higher entity. The most prominent and famous example is the European Union (EU), where a series of countries together formed a new political entity, with each member state sacrificing certain powers such as the right to mint currency. Agreements like these are usually debatable, because they involve certain benefits and disadvantages.

He further elaborates that trade gainsare one of the major advantages of regional integration for individual member states. Apart from the European Union, there are several other trade-related regional integration policies across the globe including trade agreements in Africa. For instance, there is the Southern African Customs Union Agreement, the Multilateral Monetary Agreement and the Indian Ocean Commission. In various means, these agreements make moving goods across borders in Africa easier resulting to substantial gains in trade. Trade agreements that open borders allow a country with a particularly strong industry, like wool production, to sell its goods to an even bigger market outside of the country of origin leading to monetary gains for countries involved, through more profits for the country of origin and through cheaper products for the importing country.

According to Ubi (2018), despite the benefits that the free trade area is anticipated to offer, followers of the CFTA have failed to show conclusively how the trade union can address Africa's underdevelopment and the disappointing industrialization experience of the continent. On this basis, he counters the Free Trade Area by advancing three factors. Firstly, he contends that a free trade area will never bring about the development of Nigeria or Africa. This is because even past and current growth in trade by Nigeria with other countries, particularly China, the impact of the trade is still not felt substantially in the Nigerian economy in terms of measurable and qualitative human development indices and not simply statistical economic growth figures.Secondly, a critical analysis demonstrates that Nigeria and of course many African countries are not truly matured for free trade mainly because industrialization has nottaking root on the continent. Hence, posing the question of whether Africa's industrialization or free trade that come first.Thirdly, "Sub-Saharan Africa's average shareof manufacturing value added goods as a percentage of GDP in 2010 was 10 percent – the same as it had been from the 1970s".This is an indication of stagnant manufacturing sectors on the continent. Industrial policies adopted by many African countries over the last few decadeshave not performed very well enough to get the continent to path of industrialization.

What is not unknown according Ubi (2018) is the composition of high-end finished goods and whether the raw materials will form the major commodities for trading among the member countries. However, it is important to note that the business environment in Nigeria has not been favourable for the investors due to poor infrastructure and difficulties in accessing finance. To encourage value addition, there must be a stiff competition in the Nigerian industries and government must provide the necessary infrastructures to enable firms perform better.

It has been argued that informal trade between African countries is driven mostly by the youth and women and therefore the African CFTA supports the economic empowerment of women and youth by creating trade and investment opportunities and easing cross border movement across the continent. To this end, trade facilitation measures will be put in place that will benefit women in trade, and contribute positively to gender equality. The Addis Ababa Action Agenda states: "*Recognising the critical role of women as producers and traders, we will address their specific challengesin order to facilitate women's equal and active participation in domestic, regional and international trade*."

Regional economic integration are treaties among countries in a geographical region to reduce, and finally remove tariff and non-tariff barriers to the free movement of goods, services, and factors of productions such as labour and capital between each other.Some may argue that this has double effects of reducing government tax revenue and potential crowding out domestic firms leading to massive unemployment. The fact that 90 percent of firms within the private sector in Africa are in SMEs, particularly Nigeria, means that Nigerian SMEs may be hit most by the free trade agreement, as many SMEs may likely be displaced especially in the manufacturing industries.

However, the gains of joining the African Continental Free Trade Area (ACFTA) to Nigeria are huge as can clearly be deduced from figure 8. Since Nigeria is the largest economy in Africa with the highest number of people, about 20 percent of the continent population, it is safe to argue that the export surpluses (based on figure 8) enjoyed by the Nigerian economy over the years is an indication that it will benefit more than any other country in the region. The potential gains will include among others, employment generation (as against the popular belief of job loss), competition, increase in productivity of domestic firms (in this case domestic firms will want to take advantages of the much bigger market), and revenue generation.

The benefits however will not be automatic because as explained by UNCTAD (2015), CFTA would offer African countries considerable benefits, and these benefits and gains would be higher if trade liberalisation is complemented with trade facilitation measures, elimination or reduction of non-tariff barriers, strengthening of regulatory frameworks and improved infrastructure. As noted by the UNCTAD (2015), most of the increase in trade from the removal of tariffs would be felt in the manufacturing industries. The opponent of the CFTA may argue that because agricultural activities are still the major sources of employment and income to over 60 percent of the Nigerian population, inflows of agricultural products from other African countries will pose a serious threat to local farmers. This argument may not hold because historical data (see figure 8) indicate that Nigeria is better off in terms of export than many African countries. However, Nigeria cannot hope to reduce poverty through joining the union if it has not at the same time (as noted by UNCTAD, 2015, for the case of African countries) take effective measures that can strengthen agricultural development. This requires even higher value addition that meets international standards so that Nigeria will not only export but also favourably compete both regionally and globally.

UNCTAD (2015) shows that intra-African trade would increase by 52.3 percent (or $34.6 billion), mainly in agriculture and food, industry and services sectors. At the time that Nigeria is struggling to be self-sufficient in terms of food production, trade liberalization with respect to agricultural will lead to increased agricultural imports, which means Nigeria must develop its agricultural sector beyond subsistence agriculture to be able to maximise the benefits from the union.

It is obviously made by the United Nations Conference on Trade and Development that "Individually, African sub-regions and countries are generally expected to see their exports increase to a different degree, but many countries may see their real income worse off after CFTA liberalization due to increased competition, loss of tariff revenue and terms of trade effects" (UNCTAD, 2015). Although there may be welfare-improving, trade liberalization could have adverse implications for local industries, food security, government revenue, as well as possible welfare losses arising from trade diversion. However, as rightly noted by Wandrei (2017), regional integration agreements enlarge the market for goods and therefore allow firms, factories and industries to produce more of their goods and sell them to a much bigger market thereby creating economies of scale, where the per-unit price of producing a good decreases as the total quantity of that good's production is increased. Less trade barriers also permits increased competition, which in turn displaces the less-productive firms within a particular industry resulting to an overall net positive, because it leads to greater productivity within an industry since only the firms that produce a good the most quickly and efficiently survive amidst intense competition.

III. OVERVIEW OF THE PERFORMANCE OF NIGERIAN ECONOMY

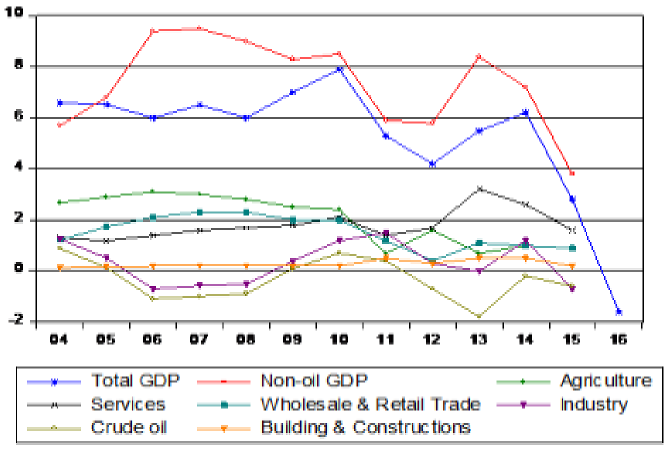
Many have argued that the Nigerian economy has been a typical example of an underdeveloped nation mainly because the economy has been dominated by the primary sector, particularly the oil and gas sector which dominates the country's foreign exchange earnings accounting for 80 to 95 percent of export earnings and 85 percent of the government revenue over the years. However, closer look at figure 1 shows that Nigeria has enjoyed steady growth rates of around 6 percent over the last few years until the recent economic recession in 2016[1]. The oil sector is of the overwhelming significance to the point of over-dependence in the country.

Despite the overdependence of the country on the oil sector, the contribution of crude oil to GDP growth rate has been highly discouraging as can be clearly seen in figure 1. The non-oil sector remains the dominant contributor to GDP growth over the years with the oil sector consistently contributing negatively to the growth mainly due to the oil prices volatility at the international market as well as the drop in the domestic production owing to the activities of the Militants in the oil region of the country. In fact, as can be seen in figure 2, the GDP growth rate of non-oil sector has been higher than the total GDP growth rate except in 2004.

The trend of GDP growth rates based on data from the CBN annual reports indicates that Nigerian economy has been growing at the rates of 6.58 and 6.0 percent between 2004[2] and 2008, hitting the highest growth rates of 7.0 and 7.9 percent in 2009 and 2010 respectively. The GDP growth rate declined from 7.9 percent in 2010 to 4.2 percent in 2012, 2.8 percent in 2015 and -1.62 during the recession period of 2016.

[1] A negative GDP growth rate of 1.62 was recorded in 2016 in Nigeria due to economic recession that affected the economy mainly attributed to sharp decline in commodity prices during the period. The recent crash in commodity prices at the international market has been stated as one of the major reason responsible for the negative growth. Another important factor was the insurgency in the northern part of Nigeria, which affected agricultural production (CBN, 2017).

Figure 1: Sectoral Contributions to GDP Growth Rates (Percentage Points)

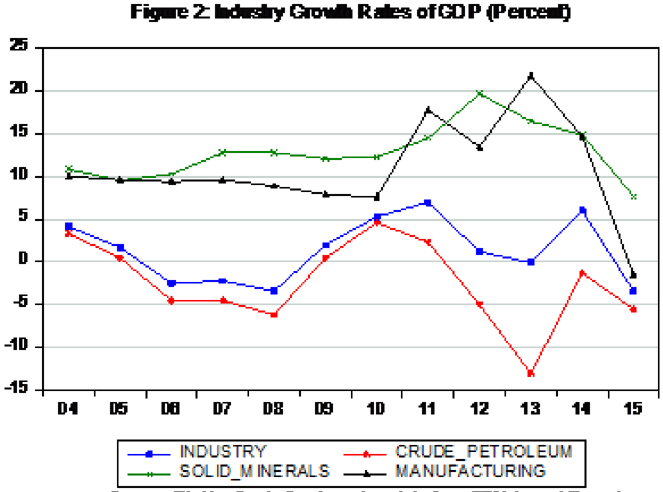


Source: Plot by the Author based data from CBN Annual Reports

Sectoral analysis of the growth rate shows that agricultural sector remained the largest contributor between 2004 and 2010 with a particular contribution of 3.1 percentage point in 2006 when total GDP growth rate was 6.0 percent making more than half of the growth during the period. On the average, agricultural sector's contribution between 2004 and 2008 has been almost half of the total GDP growth. Wholesale and retail trade was the second largest contributor to the growth of GDP between 2006 and 2010. During this period, the sector contributed 2.1 percentage points in 2006, 2.3 percentage points in both 2007 and 2008 while 2.0 percentage point were made in 2009 and 2010 respectively.

The service sector also is considered one of the largest contributor to the GDP growth in Nigeria. The contribution of the sector was 3.2 percentage points in 2013, which is higher than contributions made by other sectors in the preceding as well as the succeeding years. This sector also contributed about 2.1 and 2.6 percentage points in 2010 and 2014 respectively. The building and construction sector has also been positively contributing to the growth of GDP in the country though consistently below 1 percentage point between 2004 and 2015.

Figure 2: Industry Growth Rates of GDP (Percent)



Source: Plot by the Author based on data from CBN Annual Reports

Industrialization demands that the industrial sector drives the growth of an economy, particularly the manufacturing sub-sector. In the case of Nigeria, however, the industrial sector's contribution to the GDP growth has been insignificant and mostly negative. As can be seen in figure 1, between 2004 and 2015, the industrial sector contributed negatively in five out of twelve years, largely attributed to the negative growth of the petroleum sub-sector. Figure 2 shows that the growth of industry has been poor with negative growth rate recorded in most of the periods. While the growth of petroleum sector has consistently been negative between 2006 and 2008 as well as 2012 and 2015, the growth rate of manufacturing appeared persistently positive. In fact, steady growth of between 9 and 10 percent was recorded between 2004 and 2007 while in 2011 and 2013 in the sector; the growth rate of manufacturing sector was higher than the growth rate of solid minerals when the sub-sector recorded 17.8 and 21.8 percent GDP growth rate. However, a negative growth rate of 1.5 percent was recorded in 2015. Solid minerals also enjoyed relative growth, higher than the manufacturing sub-sector between 2006 and 2010 and in 2012 and 2015.

The steady growth of the manufacturing has been attributed to improvement in the performance of the cement, sugar and confectioneries, electronics and electrical component, food, beverages and tobacco, and motor vehicle assembly sub-sectors (CBN, 2013). The ban on some products, which could be produced locally, also facilitated the growth of the manufacturing sector over the years. It is necessary to point out that the growth of the manufacturing would not have been possible without the presence of foreign multinational enterprises.

However, the poor performance of the industrial sector has constantly been attributed to poor infrastructure development such as transport and electricity supply. Challenges such as poor infrastructure, high cost of energy especially gas and other petroleum products, and rising cost of transactions have been the worries of manufacturers (CBN, 2014) in Nigeria.

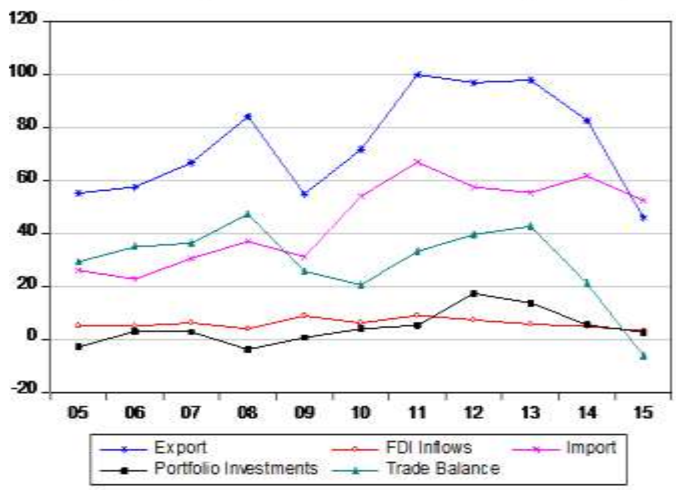
The poor performance of the manufacturing in 2015 was particularly attributed to low business confidence occasioned by the fall in external reserves and the exchange rate of the naira, as well as uncertainties that surrounded the conduct of the 2015 national election (CBN, 2015). The major activities that largely contributed to the decline in the manufacturing sub-sector were food, beverages and tobacco, oil refining, and motor vehicles assembly (CBN, 2015).

IV. NIGERIA'S TRADE AND INVESTMENT POSITION (2005-2015)

The trade in goods between Nigeria and the rest of the World has been favourable over the last decade. As shown in figure 3, Nigeria consistently recorded trade surpluses for the past ten years with a deficit only recorded in 2015 due largely to the drop in the commodity prices in the international market and the drop in the domestic production of crude oil as well as the insurgency in some parts of the country during the period.

Nigeria's total export in goods stood at about US$55.14billion in 2005 with total import recording US$25.98billion leading to a trade surplus of US$29.16. During this period, FDI inflows was far higher than the portfolio investment inflow which stood at US$4.98 and US$-2.99 respectively. The surplus was driven by the positive developments at the international oil market. This development also reflected the strong macroeconomic fundamentals and the political commitment to sustain economic reforms under the home grown NEEDs programme as well as the favourable outcome of the IMF monitored Policy Support Instrument (PSI) concluded in June 2007 (CBN, 2008).

Figure 3: Nigeria's Trade & Investment Position (US$Billion)



source: Plot by Author based on data from CBN Annual Reports

The value of export in Nigeria continued to trend upward to US$84.12 in 2008 indicating an increase by 52.56 percent from 2005. Similarly, the import increased by 41.99 percent to US$36.89 from its 2005 level while trade surplus grew by 61.91 percent to US$47.23 during the period (see figure 3). Foreign direct investment and portfolio investment inflows declined substantially to US$3.91billion and US$-3.95billion in 2008 though FDI was US$6.09 and portfolio investment was US$2.67 in 2007 respectively. The increase in imports was in response to the expansion in domestic demand and the appreciation of the naira during the period, which made imports cheap, as well as power outages, which affected domestic production, resulting in supply gaps. Oil and gas exports accounted for 97.5 percent of the total while non-oil exports accounted for 2.5 percent (CBN, 2009) as shown in figure 5.

Although export declined to US$56.79 and US$80.58 in 2009 and 2010, the value reached a total of US$99.88 in 2011. Foreign direct investment inflows within this period were US$8.7 in 2009 and US$6.1 in 2010 while the highest value of US$8.91 was recorded in 2011. Portfolio investment inflow was still lower than FDI inflows during 2009, 2010 and 2011 but reverse was the case in 2012 and 2013 where portfolio investment was US$17.2 and US$13.65 as against US$7.13 and US$5.61 FDI inflows respectively.

Total imports increased by 34.4 percent to US$66.78billion (about 27.4% of GDP) in 2011. The breakdown of the imports revealed that oil sector imports accounted for 34.1% of the total, industrial imports (23.8%), food products (16.4%), manufactured goods (14.6%), transport (5.5%), minerals (4.5%) and agricultural sector imports (1.1%). The huge import bills were because of higher demand to meet domestic production gaps, industrial needs in the form of raw materials and capital goods as well as imports for production in the oil sector. The aggregate exports on the other hand grew by 23.95 percent in 2011 to $99.88billion reflecting the substantial earnings from crude oil exports (CBN, 2011). The oil sector accounted for 96.6% of the total while non-oil exports accounted for the remainder (see figure 4).

Aggregate exports in 2012, which represented 37 percent of GDP, grew by 1.2 percent due to enhanced earnings from crude oil exports. Total imports decreased by 14.05 percent to $57.40billion, which represented 23.3 percent of GDP during the period. Like in other periods, the oil sector continued to dominate total trade with a share of 96.8 percent in 2012.

There was a decline in the external reserves, rise in the external debt and increase in repatriation of investment income by foreign investors in 2013 leading to an external account deficit of $1.00billion equivalent to 0.2 percent of GDP (CBN, 2013). The values of total export and import were $97.82 billion and $55.30 billion in 2013, respectively leading to a trade surplus of 7.62 percent to $42.52 billion, which represents 8.5 percent of GDP. In this year, crude oil and gas exports decreased by 0.9 percent and accounted for 95.2 percent of aggregate exports, while non-oil exports increased remarkably by 48.9 percent and accounted for the balance. A breakdown of non-oil exports by product indicates that agricultural produce, semi-manufactured goods, manufactured goods and solid minerals accounted for 47, 30.8, 15.2 and 3.8 percent of the total, respectively during the period (CBN, 2013). Aggregate imports declined by 3.66 percentbecause of the reduction in refined petroleum imports. Non-oil imports continued to dominate aggregate imports and accounted for 70.5 percent of the total, while oil sector imports accounted for the balance.

In 2014, transactions in the capital and financial account resulted in a net liability of $13.13 billion or 2.6 percent of GDP reflecting lower inflows in both foreign direct investment and portfolio investments as well as capital reversals. Foreign direct investment inflow decreased by 16.40 percent to US$4.69billion while portfolio investment inflow recorded a substantial decline by 61.23 percent to US$5.29 from US$13.65billion in the preceding year. Aggregate imports, representing 10.9 percent of GDP, rose by 11.6 percent in 2014. On the other hand, the value of aggregate merchandise exports equivalent of 14.6 percent of

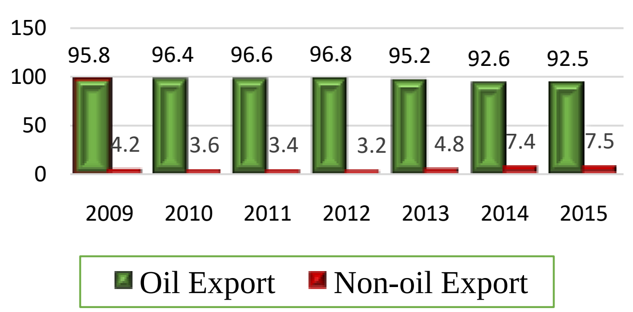
GDP declined by 14.9 percent, from $97.8 billion in 2013 to $82.6 billion.

The trade balance continued to be in favour of Nigeria until 2015 when a deficit of US$6.45 was recorded with total export being US$45.89 and import US$52.33. Nigeria saw the lowest foreign direct investment inflow of US$3.06 in a decade with a portfolio investment inflow of US$2.54. During this period, export decreased by 44.44 percent, import decreased by 15.03 percent, foreign direct investment inflow witnessed a significant decline by 34.75 percent while portfolio investment inflow decreased by 51.98 percent. This development was attributed to the global and domestic developments, whichaffected negatively the Nigeria's external sector in 2015. The combination of weak global demand and sharp fall in crude oil prices weakened the performance of exports and yielded a negative shock to the goods account resulting in a current account deficit of 3.8 percent of GDP. There was a decline in both oil and non-oil imports where oil imports declined by 37.7% as a result of the decline in fuel importation caused by the revival of domestic refineries (CBN, 2015).

V. SHARES OF OIL IN NIGERIA'S EXPORT

As reported by the National Bureau of Statistics (2014), throughout the 1990s and 2000's, Nigeria relied greatly on the export of oil, letting manufacture to remain in decline. Domestic firms were not export orientated, lacked efficiency thereby causing competitive ones to relocate factories to the neigbouring countries. A few main industries, like beverages, textiles, cement and tobacco kept the manufacturing sector floating, which were also reported to have been operating at under half of their capacity. Table 1 shows that the contribution of oil (oil and gas) to total export in Nigeria has been extremely high revealing the overdependence of Nigeria on the oil sector for export earnings. As shown in figure, over 92 percent of the Nigeria's export between 2009 and 2015 was accounted for by the oil sector while the contribution of non-oil sector was just below 8 percent during the period.

Figure 5: Nigeria's Share of Oil and Non-oil Export, 2009-2015 (percentage share of total)

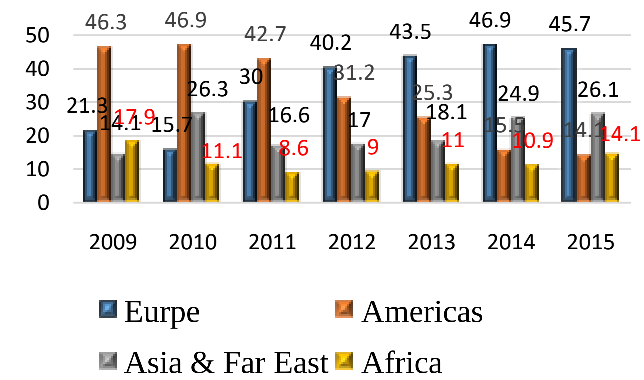


Source: Plot by the author based on data from CBN Annual Reports (various issues)

The attitude of Nigerian leaders towards getting cheap money from oil is the major problem that led to the overdependence of the country on just one commodity. Oil is just one of the many natural resources that Nigeria is endowed with and it includes human resources. While other oil rich countries such as Saudi Arabia and United Arab Emirates have been able to develop their economies with oil proceeds, Nigerian leaders have been very busy building themselves and their families with the oil moneyto the detriment of the masses and the economy. Hence, Nigeria must use the oil proceeds to build a strong economy by investing in infrastructure and people.

Figure 6 gives an insight into the direction of Nigeria's oil export obviously indicating the percentage exported to other African countries.

Figure 6: Direction of Crude oil Exports, 2009-2015 (percentage share of total)



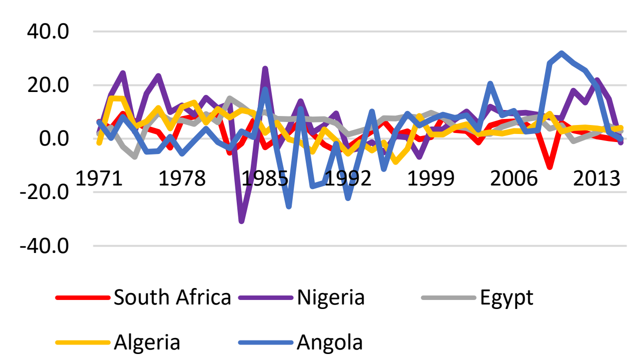
Source: Plot by the author using data from CBN Annual reports (various issues)

The persistent decline in Nigeria's oil export to America is obviously shocking. From 2009 to 2011, Americas has been the largest export destination for the Nigeria's crude oil followed by the Europe. Interestingly, the percentage of oil export to African countries was about 3.8 percent higher than what was exported to Asia and Far East including to China in 2009. Nigeria's oil export to America continued to decline resulting in a shift in the country's export destination to Europe. Europe has continuously been the top largest importer of Nigeria's oil since 2012 whereas America's import decline continued to be prevalent, to the extent that it was behind Asia and Far East. The significance of African countries' import of oil from Nigeria brings it to the same position with the America in 2015 when both the regions accounted for 14.1 percent of the Nigeria's oil export each. The implications of this are (i) America has significantly reduced its importation of Nigeria's oil, which is a serious problem to the Nigerian economy as far as oil dependency is concerned. Hence, Nigeria must explore other regions, (ii) African countries should be one of the alternatives for Nigeria's oil export and because of that, joining the African Continental Free Trade

Area can be a viable option since it means more markets for Nigeria.

Regarding the poor performance of the Nigeria's manufacturing sector, figure 7 reveals that, on the average, the growth rate of this sector is better than all the top five countries in Africa including South Africa. The performance of the manufacturing sector in Nigeria was just below the manufacturing growth rate of Angola between 2009 and 2013 and this might be connected with the financial crises and the beginning of insurgency in Nigeria during the period. Hence, Nigeria has the opportunity to supply excess of its manufactured goods to other African countries and, of course, reap the benefits of the biggest regional market in the World (CFTA). This is therefore an indication that by joining the African Continental Free Trade Area, Nigeria is among the countries that will benefits the most.

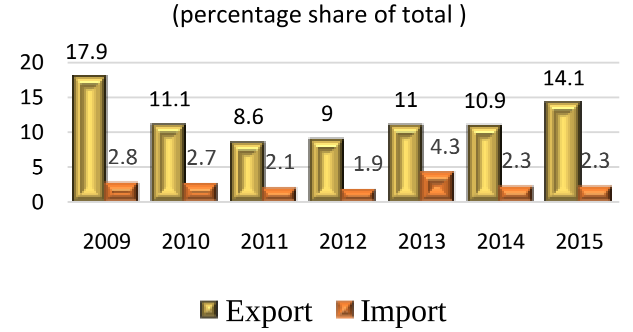
Figure 7: Manufacturing Growth Rates for five Top African Countries, 2015



Source: Plot by the author using data from UNSD(2016).

To see why Nigeria stands to benefit the most from the African Continental Market, figure 8 shows that from 2009 to 2015, Nigeria's export to African countries has been far greater than its import from the region. This further explain the fact that Nigeria will be the most advantageous country if it joins the union.

Figure 8: Nigeria's Trade with African Countries, 2009-2015 (percentage share of total)



Source: Plot by the author using data from CBN Annual reports (various issues).

Specifically, figure 8 indicates that Nigeria has been enjoying trade surplus from its dealing with African counties compared with other regions. This means that the argument that Nigeria may become a dumping ground after joining the Zone may not hold. This is because Nigerian entrepreneurs have more advantages both in the manufacturing sector and agricultural sectors compared with their counterparts in other African countries.

VI. POLICY RECOMMENDATIONS

Firstly, joining the CFTA will significantly improve the state of underdeveloped industrial sector in the country by forcing firms to be innovative and more productive to avoid been displaced from the industry. This will consequently have positive spillover effects on employment generation, as many firms will tend to employ more productive workforce. These industries must be developed by facilitating easy access to finance by investors and attracting quality FDI from both the South and the North. In other words, foreign direct investments that are capable of developing the industrial sector should be attracted from high technology developing economies such as China and India, and from developed countries like the USA, Europe and Canada. The FDI should be capable of generating positive linkages and spillover effects with the domestic firms to enhance the productivity of the domestic firms thereby augmenting national productivity. Furthermore, the FDI must be able to create more jobs, both skilled and unskilled for the local communities.

Secondly, joining the Union will allow more FDI from other African countries to invest in the Nigerian economy especially the manufacturing sector. This will go a long way in facilitating industrial development in Nigeria.

Thirdly, the infrastructure must be developed. Specifically, there should be stable and constant electricity supply as well as good and quality transport infrastructure and water. These are very essential and are prerequisite for attracting foreign direct investments into the sector provided there are FDI-friendly policies on the ground. Absence of these facilities add more to the cost of doing business in a country particularly electricity which will necessitate the use of alternatively expensive source of energy.

Fourthly, to maximise the benefits associated with the Continental Trade Area, Nigeria must develop its human capital by investing in the people. Nigeria as one of the largest and populous countries in the world with a vast deposit of natural resources, human capital development is the key to unlocking the potentials that the country possess.

Fifthly, Nigeria should develop the agricultural sector by encouraging commercial farming and investing in commodities needed by industries. Agricultural processing and value additions are vital for the country to maximise the benefits of the Free Trade Area.

Lastly, the government must be objective and transparent with its policies. Policies towards export promotion must be adhered to and exportation of processed goods should be encouraged. Insecurity must be tackled objectively, because this is one of the major problems that scare away not only foreign but also domestic investors.

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