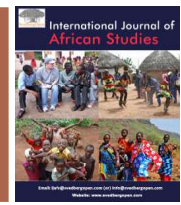




International Journal of African Studies

Publisher's Home Page: <https://www.svedbergopen.com/>



Research Paper

Open Access

African Continental Free Trade Agreement and Nigeria's Developmental Aspirations: Exploring the Promise and Perils

Musa Salihu Ibori¹ and Elvis Otsemehuno Ogah^{2*}

¹Department of Political Science and International Studies, University of Abuja, FCT, Nigeria. E-mail: iborimusa@yahoo.com

²Department of Political Science and International Studies, University of Abuja, FCT, Nigeria. E-mail: elvisogah01@gmail.com

Article Info

Volume 4, Issue 1, June 2024

Received : 02 March 2024

Accepted : 21 May 2024

Published : 05 June 2024

doi: [10.51483/IJAFRS.4.1.2024.23-28](https://doi.org/10.51483/IJAFRS.4.1.2024.23-28)

Abstract

This study attempts to provide a nuanced perspective on the promise and perils of the African Continental Free Trade Agreement on Nigeria's developmental aspirations. It is anticipated that the trade agreement's adoption and implementation will boost intra-African trade and create local and regional value chains, opening up new business opportunities for investors and giving them access to a population of 1.7 billion people whose combined spending on goods and services will reach \$6.7 bn by 2030. But how will these projections impact the continent's largest economy and most populated country, Nigeria? This study tackles this pertinent question employing a desk research method, drawing data from secondary sources and relevant literature. The research adopts Dependency Theory and Institutional Economics model to provide useful insights into the dynamic relationship between AfCFTA and Nigeria's development goals. Results indicate that in line with Nigeria's economic development aspirations, the AfCFTA would promote economic growth in addition to the push for competitiveness in a variety of local industries and the reduction of poverty. However, this study identifies significant vulnerabilities relating to economic hazards. Nigeria's current trajectory falls short of the requisite standards in terms of strategic policymaking to leverage on opportunities and reduce risks. This paper thus recommends evolving solution and international cooperation to enable AfCFTA catalyse development in Nigeria.

Keywords: Trade, Development, Integration

© 2024 Musa Salihu Ibori and Elvis Otsemehuno Ogah. This is an open access article under the CC BY license (<https://creativecommons.org/licenses/by/4.0/>), which permits unrestricted use, distribution, and reproduction in any medium, provided you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license, and indicate if changes were made.

1. Introduction

AfCFTA is the epitome of Africa's aspirations to be economically integrated and development-oriented. The position of Nigeria as the most populous and economically advanced country on the African continent is to be an engine driving the regional agenda (Sabela *et al.*, 2023). This paper analyses both opportunities and challenges of the current situation in which AfCFTA influences Nigeria's developmental goals. Over the years while Nigeria has been grappling with challenges of economic power and internal developmental inequalities, AfCFTA presents opportunities that would compound existent issues. This exposes the confusing landscape of trade, policymaking and socio-economic tendencies to unfold some areas of compatibilities and inconsistency in Nigeria's AfCFTA engagement. Advancing to this analysis, the article intends to make a more nuanced contribution by discussing AfCFTA's impact in terms of Nigeria's path towards development.

* Corresponding author: Elvis Otsemehuno Ogah, Department of Political Science and International Studies, University of Abuja, FCT, Nigeria. E-mail: elvisogah01@gmail.com

1.1. Objectives

- i. To analyze the AfCFTA’s strategic implications for Nigeria’s economic landscape, evaluating its opportunities and threats concerning major sectors or industries.
- ii. To examine the impact of AfCFTA on Nigeria’s trade policies and regimes, expanding understanding of the extent to which liberalization will affect achieving the developmental goals.
- iii. To investigate the social-economic implications of AfCFTA to Nigeria in terms of its internal dynamics, by looking at how regional trade integration may either foster or hinder progress towards closing current development gaps, unemployment and income inequality.

2. Literature Review

AfCFTA represents a revolutionary breakthrough in the integration of the African continent (Obiora *et al.*, 2022). It sees a common market for goods and services in African countries whereby through the inter-Africa trade it hopes to increase economic relations. If the Nigerian economy is taken into consideration, the nation that has a profound influence on the development of the African continent’s economy understanding what AfCFTA means necessitates wide knowledge about literature associated with this accord as well as Nigerian economic progress and national plans.

2.1. AfCFTA and Regional Integration

Several advantages that the AfCFTA can bring to Africa’s economic welfare have been observed by scholars. Leshoele (2023) suggests that the agreement has the potential to lead to industrialization because increased access to markets facilitates specialization and economies of scale. Nevertheless, fears have been expressed by Boulton *et al.* (2020), who stress the importance of infrastructure and institutional support for implementing its potential fullness. The literature indicates a fine line between the advantages of regional integration and implementation difficulties.

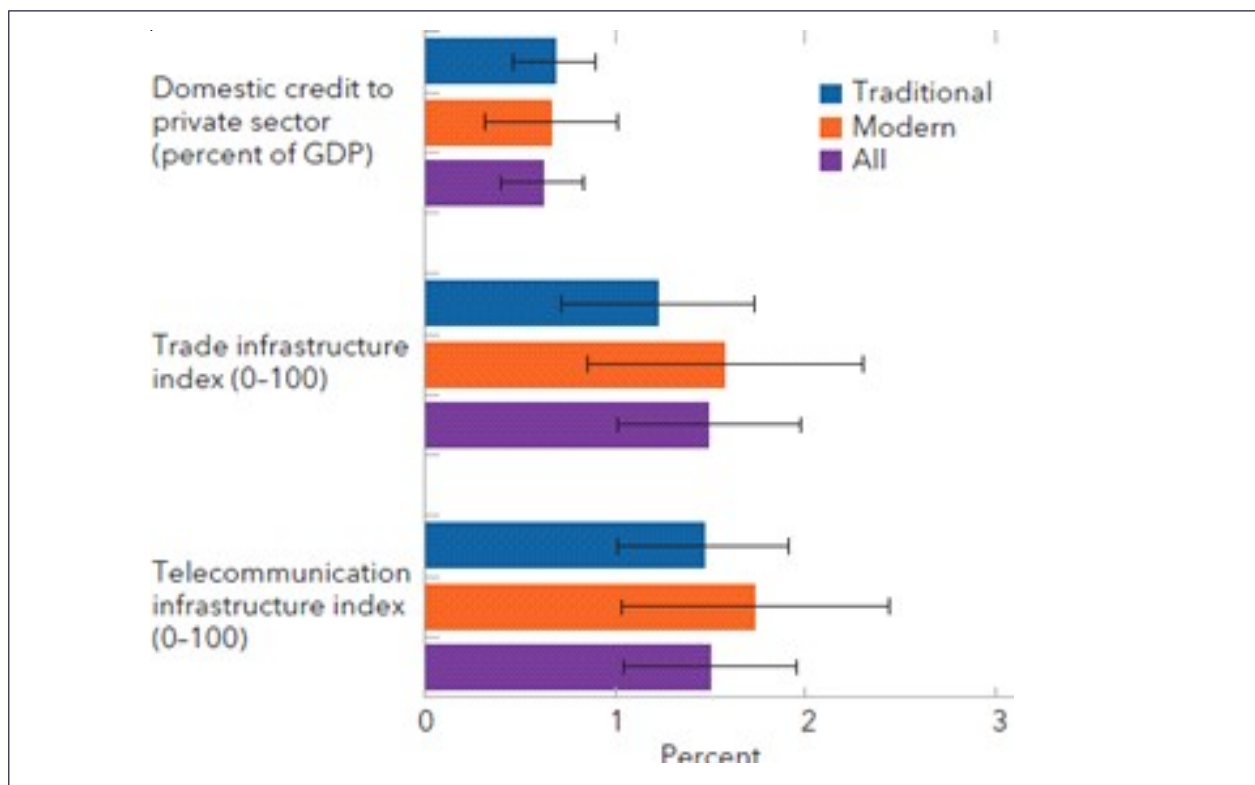


Figure 1: AfCFTA and Regional Integration

Source: ElGanainy *et al.* (2023)

2.2. Nigeria’s Economic Development

The economic path of Nigeria has also been extensively discussed in several attracted literature. For instance, Oyelami (2022) stresses diversification outside oil-dependent sectors to ensure sustainable economic development. The threat

arising from the oil export dependence is one of Nigeria’s main vulnerabilities that AfCFTA can address by diversification and increased non-oil trade (World Bank, 2021).

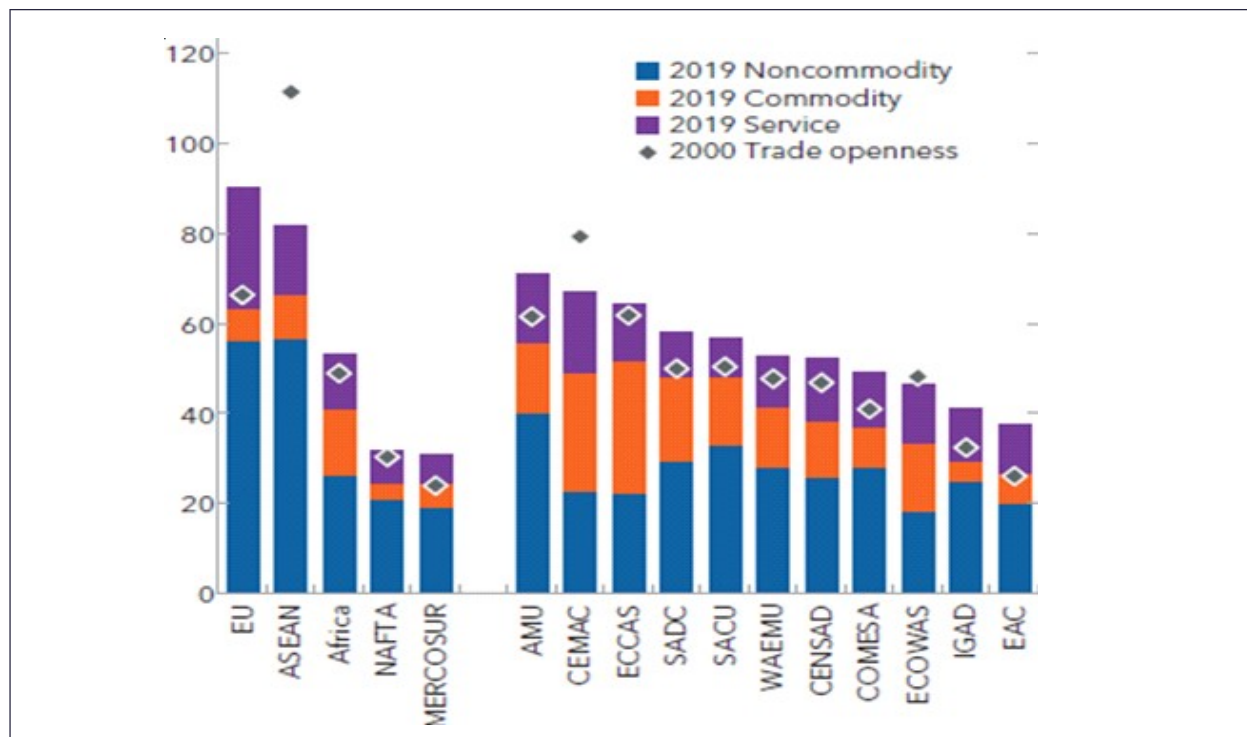


Figure 2: The Role of Trade Across Regions

Source: ElGanainy et al. (2023)

2.3. Nigeria’s Development Plans

There are various development plans, such as Vision 2020 and the Economic Recovery and Growth Plan (ERGP) that have been articulated by Nigeria, that would guide its economic growth. These initiatives promote infrastructure development, the industrialization process, and poverty eradication (Bello and Neba, 2022). According to ElGanainy et al. (2023), aligning AfCFTA with Nigeria’s development strategy is important in improving the benefits accrued from agreeing. Furthermore, Coulibaly et al. (2022) highlight the significance of policy cohesiveness and coordination to ensure that AfCFTA does not conflict with pre-existing national strategies.

2.3.1. Theoretical Framework

Two significant viewpoints in the theoretical framework are Dependency Theory and Institutional Economics through which an interpretation of how AfCFTA affects Nigeria can be construed. Dependency Theory depicted those African countries, including Nigeria, were economically reliant on foreign stakeholders following the finding by Kvangraven (2021). AfCFTA with its reformation on separation and dependency motives, self-sufficiency comes through intra-trade among Africans. This opportunity is provided for Nigeria by the mutual agreement of African countries to trading zones which will be presented at this task along with other challenges Institutional economics propounded by (North, 1993) indicates the role of institutions in dictating economic outcomes. Based on this model, it acts to be very important in terms of institutional capacity that will ensure an enabling environment and leadership for the implementation as well as the enforcement of AfCFTA.

However, as Aryeetey (2017) asserts that institutions would play a vital role in ensuring that AfCFTA complies with Nigeria’s aspiration for development without affecting public industries.

The literature review gives a general view of the issues with AfCFTA, the challenges facing economic development in Nigeria and their plans for further development. Theories like Dependency Theory and Institutional Economics can provide useful insights into the dynamic relationship between AfCFTA and Nigeria’s development goals, directing empirical studies of its potential threats and benefits. The review applies critical analysis to the use of theoretical frameworks, including Dependency Theory and Institutional Economics in selected literature. The aim is to show how these models inform the analysis of the AfCFTA’s impact on Nigeria’s economic development (Bello and Neba, 2022).

This analysis helps to evaluate the theoretical cohesion and consistency in literature, analyzing underlying assumptions of scholars' perceptions.

3. Methodology

By the systematic and comprehensive analysis, the study uses a variety of scholarly articles, government reports, policy documents and publications from recognized international organizations. The chosen literature is spread over time from the inception of the AfCFTA to the most recent available publications for a comprehensive analysis of emergent trends and contextual subtleties.

3.1. Data Extraction and Synthesis

Scientific literature was thoroughly analyzed to identify relevant information on the prospects and pitfalls of AfCFTA in terms of its impact on Nigeria's desired trajectory. Some important topics including sectoral influences, trade policies and their impacts, as well development plans have also been identified in the harmonization process. Literature was also organized according to the theoretical frameworks adopted, thus helping appreciate diverse perspectives on the application of theory.

4. Results and Discussion

The study synthesizes insights from three significant studies to highlight the potential and peril of implementing the African Continental Free Trade Agreement (AfCFTA) toward Nigeria's development goals. Each of those studies offers a specific viewpoint, and it not only illustrates the versatility factor implied by this agreement but also highlights its peculiar applicability to various aspects.

4.1. Promise/Potentials of AfCFTA for Nigeria's Development

A study conducted by Briggs (2021), highlights the immense potential of the AfCFTA for Nigeria's economic development. Envisaged as the world's largest free trade area, AfCFTA aims to create a single continental market, fostering the free movement of goods, services, and investments across 55-member states. The potential for scale production, continental market access, and efficient resource allocation presents opportunities for Nigeria to enhance competitiveness, industry growth, and economic development (Byiers and Woolfrey, 2023). The paper emphasizes the positive impact on GDP, surpassing US\$3.4 tn, and a market comprising more than 1.2 billion people. This aligns with the objectives of Nigeria's development plans, emphasizing economic diversification and poverty reduction.

The observations from the study of Mhonyera and Meyer (2023) complement these findings by quantitatively assessing the welfare and trade effects of AfCFTA on Nigeria. Utilizing decision support and computable general equilibrium models, the study predicts positive welfare gains (US\$146.12 mn) and trade benefits, positioning AfCFTA as a net-trade-creating agreement.

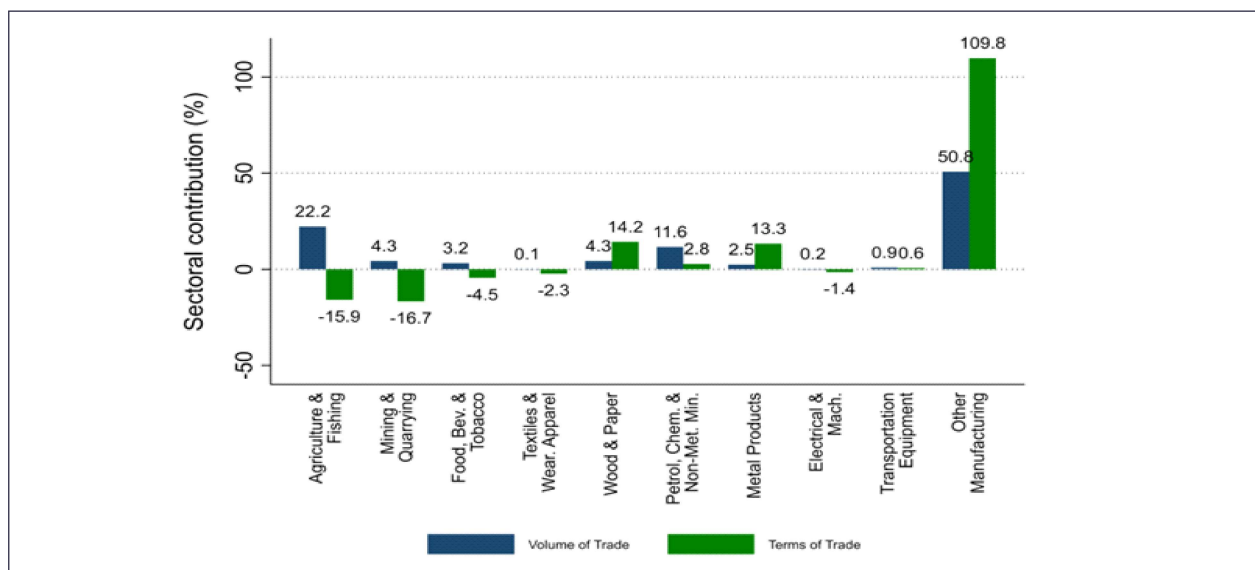


Figure 3: Effect of AfCFTA on Nigeria's Volume of Trade and Terms of Trade by Sector

Source: Brookings Institute (2021)

The emphasis on sustained export potential within AfCFTA member states underscores the importance of leveraging core export competencies for welfare improvement in Nigeria (Ajibo *et al.*, 2020).

Agriculture and Fishing which are basically raw material production has the highest volume of trade which stands at less than 23%, aside other manufacturing at 50% (Brookings Institute, 2021). This entails that more needs to be done and AfCFTA offers a window of opportunity for both volume and positive terms of trade in this regard.

4.2. Perils/Disadvantages of AfCFTA for Nigeria’s Development

However, the potential benefits coexist with challenges, as highlighted in a study by Briggs (2021). Concerns are raised regarding the business environment, with an acknowledgement that both pros and cons may arise from the agreement’s implementation (Maruta *et al.*, 2020). The distinct examination of the business environment suggests that while opportunities for growth and development exist, careful consideration is required to navigate potential pitfalls and safeguard Nigeria’s economic interests.

Research led by Imoagwu *et al.* (2021) examines the socio-economic impacts of AfCFTA on Nigeria. Though acknowledging the agreement as an African development strategy, the research warns that its viability for proper realization is fundamental to harnessing outcomes. There is also an immediate positive effect firstly for Nigeria, in which decreasing the unemployment and illiteracy rates along with increasing factors productivity efficiency are associated with succeeding household earnings generation possible. First of all, some limitations are mentioned like the lack of current data yet it is noted that tracking and planning formulation seems to be required (Adewopo *et al.*, 2021).

This appears to be a twisted synthesis of promise and peril for Nigeria under this AfCFTA framework. Although the agreement provides tremendous economic opportunities to encourage manufacturing workforce competitiveness, and

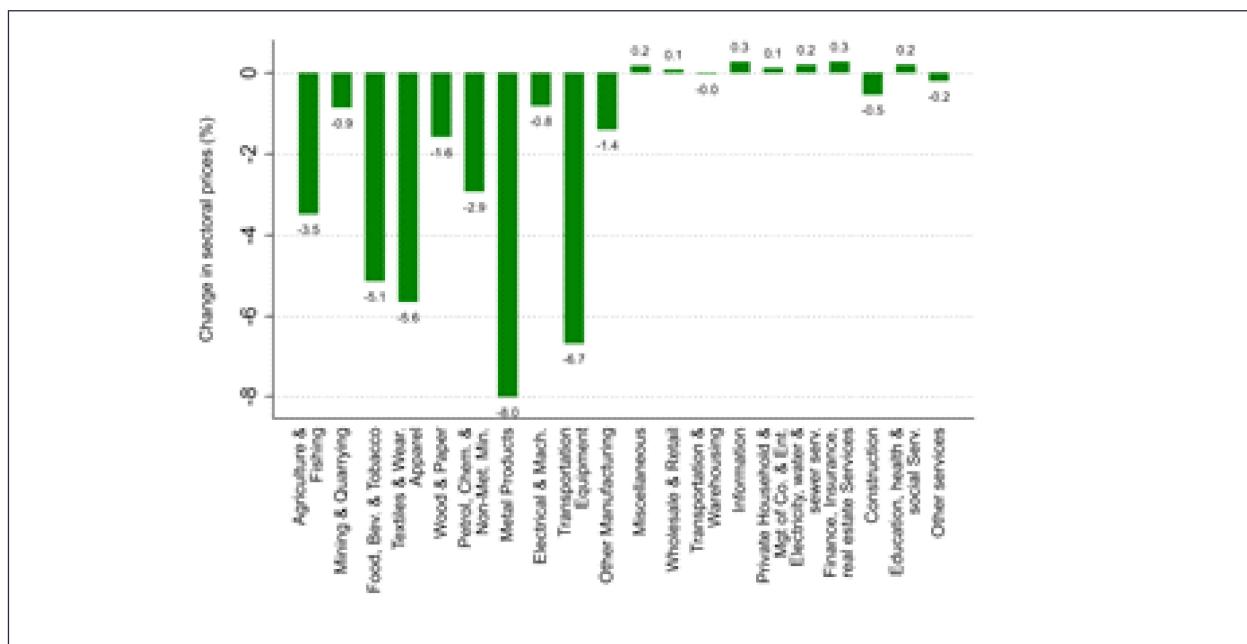


Figure 4: Export effects of AfCFTA on the Nigerian Economy

Source: Brookings Institute (2021)

poverty reduction, careful consideration of challenges is important as Nigeria seeks her developmental goals (Edun *et al.*, 2022). The matter above policymakers is prompted to use positive outcomes and address indicated negatives in an attempt not only avoid unsteady points of AfCFTA’s implementation, but also for effective development.

5. Conclusion

In conclusion, this paper has mapped a route that may appear elusive for AfCFTA and the impacts of such objectives on Nigeria’s growth aims. The synthesis of key studies reveals a dual narrative: The AfCFTA shall support economic growth, as well as the drive for competitiveness in diverse industries and poverty reduction in relation to Nigeria’s development agenda. However, the threats are obvious too – business hazards and the need to steer clear of minefield. Given that Nigeria is Africa’s economic powerhouse in terms of GDP and population size, its inclusion in AfCFTA does fail to meet the highest standards with regard to strategic policymaking aimed at leveraging on opportunities and risks reduction. The results

emphasize the need for further study, evolving responses and international cooperation that will enable AfCFTA to become a catalyst in promoting the sustainable development of Nigeria within an emerging global economy.

References

- Adewopo, A., Oriakhogba, D. and Okorie, C. (2022). Negotiating the Intellectual Property Protocol under the Agreement Establishing the African Continental Free Trade Area: Priorities and Opportunities for Nigeria. *Law and Development Review*, 15(1), 33-62. doi: <https://doi.org/10.1515/ldr-2021-0064>
- Adeyeye, S.A.O., Ashaolu, T.J., Bolaji, O.T., Abegunde, T.A. and Omoyajowo, A.O., (2023). Africa and the Nexus of Poverty, Malnutrition and Diseases. *Critical Reviews in Food Science and Nutrition*, 63, 641-656. doi: <https://doi.org/10.1080/10408398.2021.1952160>
- Ajibo, C.C., Anozie, M.C., Umahi, T.O. and Nwatu, S.I., (2020). Africa-China Investment Partnership for Development: The Downside, the Promises and a Roadmap for the Future. *Asian J. WTO & Intl Health L & Poly*, 15, 285.
- Aryeetey, E. (2017). *Comparative Development Experiences of Sub-Saharan Africa and East Asia: An Institutional Approach*, Routledge.
- Bello, M.F. and Neba, A.A. (2022). An Examination of the Effectiveness of Economic Recovery and Growth Plan in Nigeria. *International Journal of Governance and Public Policy Analysis*, 4. <https://doi.org/10.31357/ijgppa.v4i1.6219>
- Boulton, G., Loucoubar, C., Mwelwa, J., Wafula, M., Ozor, N. and Bolo, M., (2020). Digital Revolution, Open Science and Innovation for Development in Sub-Saharan Africa. *African Technology Policy Studies Network (ATPS)*.
- Briggs, I., (2021). Analysis of the African Continental Free Trade Agreement (AfCFTA): The Pros and Cons. *Journal of International Relations Security and Economic Studies*, 1, 1-10.
- Byers, B.I. and Woolfrey, S., (2023). Nigeria and the AfCFTA as a Two-level Game. *The World Economy*, 46, 312-327. <https://doi.org/10.1111/twec.13357>
- Coulibaly, S., Kassa, W. and Zeufack, A.G., (2022). *Africa in the New Trade Environment: Market Access in Troubled Times*. World Bank Publications.
- Edun, A.J., Adamu, I.S. and Ayinde, S.M. (2022). International Economy and Ethno-Regionalist Sensibilities of Acfta in Nigeria. *Zamfara Journal of Politics and Development*, 3, 14-14.
- Imoagwu, C.P., Ozoh, J.N., Madueke, C.M. and Mbah, C.C., (2021). Impact of African Free Trade Policy (Agreement) on the Socio-Economic Development of Nigeria. *European Journal of Economic and Financial Research*, 4. <https://doi.org/10.46827/ejefr.v4i4.1021>
- Kvangraven, I.H. (2021). Beyond the Stereotype: Restating the Relevance of the Dependency Research Programme. *Development and Change*, 52, 76-112. <https://doi.org/10.1111/dech.12593>
- Leshoele, M., (2023). AfCFTA and Regional Integration in Africa: Is African Union Government a Dream Deferred or Denied?. *Journal of Contemporary African Studies*, 41, 393-407. <https://doi.org/10.1080/02589001.2020.1795091>
- Maruta, A.A., Banerjee, R. and Cavoli, T., (2020). Foreign Aid, Institutional Quality and Economic Growth: Evidence from the Developing World. *Economic Modelling*, 89, 444-463. <https://doi.org/10.1016/j.econmod.2019.11.008>
- Mhonyera, G. and Meyer, D.F., (2023). The Impact of AfCFTA on Welfare and Trade: Nigeria and South Africa in Light of Core Export Competences. *Sustainability*, 15, 5090. <https://doi.org/10.3390/su15065090>
- North, D.C. (1993). Towards a Theory of Institutional Change. *Quarterly Review of Economics and Business*, 31, 3-12.
- Obiora, C.A., Osegbue, C. and Osuji, A.O. (2022). Export Trade Diversification and the African Continental Free Trade Area (AfCFTA): Implications on Improved Intra-Regional Trade Performances in Africa. *Journal of Public Policy & Development Studies*, 1.
- Oyelami, L.O. (2022). Revenue, Welfare and Trade Effects of African Continental Free Trade Agreement (AFCFTA) on the Nigerian Economy. *Journal of Public Affairs*, 22, e2645. <https://doi.org/10.1002/pa.2645>
- World Bank (2021). Making the Most of the African Continental Free Trade Area. URL <https://www.worldbank.org/en/topic/trade/publication/free-trade-deal-boosts-africa-economic-development> (accessed 1.17.24).

Cite this article as: Musa Salihu Ibori and Elvis Otsemehuno Ogah (2024). African Continental Free Trade Agreement and Nigeria's Developmental Aspirations: Exploring the Promise and Perils. *International Journal of African Studies*, 4(1), 23-28. doi: 10.51483/IJAFRS.4.1.2024.23-28.