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Nigeria and International Trade

Alleviating Food Insecurity and Intra-African Trade Barriers in Nigeria

Food Insecurity in Nigeria

Nigeria is an African powerhouse that, historically, has been a leader in pan-African cooperation (Alayande, 2020, p.149). Nigeria also suffers from food insecurity that is partially the product of its pullback from intra-African trade. However, this can be ameliorated through greater continental trade that can help make Africa more food secure as a whole.

With a population of over 211 million and a GDP of over 474 billion in 2021, Nigeria is the most populous country in Africa and possesses the continent's largest economy with the Nigerian naira (NGN) as its currency (United Nations, 2021). The West African nation borders Cameroon, Chad, Niger, Benin, and the Atlantic Ocean. Nevertheless, hunger remains a persistent challenge, with an estimated 57.7% of Nigerians experiencing moderate or severe food insecurity in 2019 (World Bank, 2019).

Summary of Causes

There is a multitude of factors that contribute to food insecurity in Nigeria. For one, the conflict with Islamist group Boko Haram has displaced 2 million Nigerians and rendered 8.7 million food insecure. Nigeria has also experienced economic uncertainty during the COVID-19 pandemic. Inflation has jumped to a 2021 consumer price index (CPI) of 303 in comparison to 2010 (United Nations, 2021). On top of that, oil prices collapsed in 2020, battering the oil-dependent Nigeria economy (World Food Programme, 2022). As a whole, political and economic instability have impoverished Nigerians and increase hunger.

Despite food insecurity, agriculture makes up over 20 percent of Nigeria's GDP and employs 34.7 percent of Nigerian workers as of 2021 (United Nations, 2021). The main crops are cassava (tapioca), cocoa, corn, millet, palm oil, peanuts, rice, rubber, sorghum, and yams. Clearly, agriculture is key to the economy. Yet, this remains inadequate. Domestic production is, overall, insufficient to feed itself, forcing Nigeria to import \$10 billion of food, mostly wheat, rice, poultry, and fish (International Trade Administration, 2021).

To specify, the Nigerian diet is often neither diverse nor abundant enough. A typical Nigerian family encompasses two adults and three dependents, though rural families often have more children (Demographics and Health Survey Program, 2019). They consume a diet based on grains, usually rice, millet, or cassava grown in small subsistence farms that are 0.7-2.2 hectares in size (Apata et al., 2011). Many rural families raise livestock and poultry, though is often inadequate for nutritional needs. Meat, often expensive, is consumed in small quantities; larger portions are reserved for the male head of the family (United Nations University Press, n.d.). Then, what cannot be produced on subsistence farms is purchased on informal food markets (Nordhagen, 2021, p. 134). However, rural areas often lack adequate road infrastructure, limiting families' access to food markets, healthcare, and education, especially for

women. A growing barrier is the cost of food. In December 2021, year on change food inflation reached 17.37%, the highest rate in 15 years. Already, food was the largest expenditure for Nigerian families as of 2019 (Chiaka et al., 2022, p. 150). Increasing food prices and loss of income the pandemic are likely to exacerbate this, furthering food insecurity in Nigeria.

International Trade in Nigeria

A major contributor to food insecurity is Nigeria's lack of trade. Particularly, intra-African trade. As of 2018, Nigeria's imports from the African region only amounted to 3.2 percent of total imports, and exports to the African region were only 13.2 percent of Nigerian exports (Yewande and Cukwuka, 2021). Indeed, Nigeria likely has several barriers to intra-African trade.

Partially, this was spearheaded by recent policy and President Muhammadu Buhari. In 2018, President Buhari declined to sign the treaty on the establishment of the African Continental Free Trade Area (AfCFTA). His administration argued that Nigeria needed to protect domestic industry and jobs. Only in 2019 did the Nigerian government agree to join the AfCFTA, becoming its 34th member (Yewande and Cukwuka, 2021). On the whole, the Buhari administration has taken a protectionist stance toward Nigeria's African peers.

Protectionism impacts Nigeria's food supply and diversity more explicitly as well. In 2018, the Buhari administration levied higher tariffs on certain staple crops, such as rice, cassava, wheat, and tomatoes. On top of tariffs, the Nigerian government outright prohibits certain imports, including poultry, pork, beef, eggs, refined vegetable oils, sugar, and fertilizers containing phosphorus, nitrogen, or potassium (Nigeria Customs Service, 2019). Clearly, Buhari's protectionism is not limited to industry; it explicitly extends to agriculture as well.

Impeding trade does indeed have consequences on Nigerian food security. Firstly, the tariffs failed to achieve their intended goal. According to an analysis conducted by the International Food Policy Research Institute, the tariff increase did not protect domestic producers as indicated by increasing rice imports and widespread smuggling. Moreover, the tariff changes increased prices for both imported and domestic goods, as they are to some extent substitutes (Dorosh & Malek, 2016). On the whole, recent changes in tariff policy have been largely unsuccessful in blocking foreign competitors, amassing revenue for the government, or decreasing food prices for Nigerians. Rather, the policy is more likely to have fostered food insecurity by increasing prices and reducing availability.

Like the tariffs, the import bans are difficult to enforce. Nigeria's neighbors experienced precipitous increases in poultry imports after the ban, suggesting an increase in smuggling. A potent motivation for smuggling is the overwhelming quantity demanded. Consumers demand 1.5 million metric tons of poultry per year, but Nigeria only produces 300,000 metric tons. Originally, the justification for the poultry ban was H5N1, but this problem has declined in significance over time and these foodstuffs are imported regardless of the legality (Ogunleye, 2019). Permitting legal importations would allow for more meticulous inspection and, thus, protect the health standards of Nigeria's food supply. The protectionist function of the tariffs is, largely, ineffectual. Hence, removing the tariffs would be of less consequence than touted by their proponents.

Moreover, Nigeria's high population growth is likely to worsen food insecurity. As of 2018, Nigeria's total fertility rate was 5.3 children per woman, allowing its population to swell (Demographic and Health Survey Program, 2019). An increased population could strain Nigeria's domestic food supplies, and if the current policy were to continue, imported goods would either be unable to fill the gap. Alternatively, smuggled imports could do so at a costly premium. At the same time, limiting intra-African agricultural trade also hurts Nigeria's relations with its neighbors and, hence, its exports. In turn, Nigeria would be less able to leverage its high population for labor-intensive agriculture and other economic

activities. Hence, Nigeria's high population growth is not inherently a problem, but it can be harmful in conjunction with protectionist policy.

In review, it is clear that the Nigerian government's protectionism has not been fruitful. Thanks to smuggling, tariffs and bans have been ineffective in preventing foreign competition and collecting revenue. These policies are also detrimental to Nigerian food security as they limit food supply, increase food prices, and indirectly degrade health standards. Not only that, they negatively impact Africa as a whole by reducing cooperation and slowing its development because of unfulfilled food needs.

Facilitating International Trade

To liberalize Nigerian trade and strengthen food security, an accessible and effective approach would be expanding the African Continental Free Trade Association in the African Union. This would be accomplished by removing or reducing tariffs and bans on agricultural goods. For context, the AfCFTA was already beneficial to Nigeria's agriculture, but intellectual property and manufacturing remained the focus of the agreement (Yewande and Cukwuka, 2021). As such, there remains the opportunity to increase trade in food products.

First of all, trade is a reliable cushion for food security. The World Trade Organization cites trade as a means of connecting "those that have plenty of food with those that do not have enough (Boonekamp & Perez-Esteve, n.d.)." This can still be applied to food insecure nations on the African continent, albeit in a different manner. Africa is diverse in climate, crops, and natural resources; increased trade could create a more efficient distribution of food and other goods. Nigeria, in particular, could leverage its oil supplies to supplement and diversify Nigerians' diets. Tariff reductions could also cut down on food costs, especially for staple goods. Permitting prohibited meat products, like poultry, would also increase meat consumption for many Nigerians, especially women and children, by reducing prices and increasing supply.

Furthermore, expanding the AfCFTA would be able to take advantage of existing advantages. By its nature, the AfCFTA only includes African countries willing to liberalize trade. It also has an expansive reach in which 54 out of the 55 members of the African Union have already signed (African Union, 2021). Expanding the agreement rather than establishing new agreements would provide access to a large, diverse, and organized group of countries. This would facilitate trade liberalization and increase the diversity of potential food imports. In addition, removing barriers to agricultural trade aligns with sentiment abroad and within Nigeria. For instance, it could alleviate tensions with nearby trade intermediaries (mostly Cameroon, Togo, and Benin) that arose after tariff increases on staple foods. Removing trade barriers could also assuage public sentiment, which largely had been against the tariff changes and the ensuing price increases (Ugwuja & Chukwukere, 2021, p. 80). True, the Buhari administration would be an obstacle to trade liberalization. Nevertheless, food inflation and hunger in the terrorist-impacted North may force him to change course as he had with the AfCFTA.

Potential Barriers

Admittedly, there are other caveats to expanding the AfCFTA. Economists have long recognized that free trade is most often a net benefit to participating nations, but they also understand that the benefits are not evenly distributed among individuals (Caroll & Sewon, 2019). For Nigeria, the most negatively impacted party would likely be the agricultural industry. The Nigerian government's protectionist stance is, in part, influenced by lobbying from domestic firms concerned with foreign competition (Alayande, 2020, p. 152). Similar effects would apply to other nations. Nations would have domestic interests to protect. Consequently, negotiations with AfCFTA members and the African Union would likely be arduous. There are also agricultural workers to be considered as they compose a significant portion of the Nigerian population (United Nations, 2021). They, too, may have to compete with foreign farmers.

However, the barriers may not be as consequential as they may seem. Nigerian businesses remain optimistic about trade liberalization. In a survey of 1,804 Nigerian manufacturing enterprises, 6 in every 10 surveyed believed that the AfCFTA would reduce material and labor costs, increase production capacity, expand market and consumer size, and reduce prices (Yewande and Cukwuka, 2021). Likewise, AfCFTA could also open new markets for agricultural products. Many Nigerian farmers also do not necessarily plan to sell their products. Nigerian farms are often small and meant for subsistence; they are not competitors with foreign farms (Apata et al., 2011).

The Nigerian government can also take further action to reduce negative effects. To take advantage of a broader consumer market, the government can develop human capital and infrastructure to support the production and export of Nigerian agricultural goods. When the original AfCFTA was signed, manufacturers flagged Nigeria's poor roads, unreliable rail, and patchwork port regulations as significant barriers to exporting goods (Gbemi, 2020). The government could ameliorate these issues by investing in infrastructure projects and federalizing port regulations across Nigeria's states.

Additionally, the Nigerian government can help shape an industrialized workforce. As of 2022, only four percent of the Nigerian workforce is in manufacturing. The economy is partly reliant on agriculture but is underpinned by oil (Chete et al., 2022). This leaves Nigeria vulnerable to volatile shifts in oil prices. The government could support the move toward a more stable, manufacturing-based economy by retraining agricultural workers to work in industry. In doing so, the government can care for working-class Nigerians negatively impacted by free trade and also reduce Nigeria's reliance on oil exports. In brief, there are obstacles to expanding intra-African trade and food security through the AfCFTA, but they are obstacles that can be resolved.

Conclusion

The pursuit of food security is a critical goal for Africa's development. The African Union recognized this and has established 2022 as the "Year of Nutrition." Already, they have planned to coordinate further research and awareness surrounding food security, and they hope to set nutrition targets for member nations ("2022: The Year of Nutrition," 2022). In addition to this, the African Union can facilitate free trade in the agricultural sector.

Protectionism has clear consequences on food security in Africa. Nigerian food security, specifically, is constrained by politically-motivated protectionism that increases food prices at the expense of the consumer. Because of it, Africa's economic and population powerhouse is racked with hunger and forced into slower development. Likewise, Nigeria's policy of protectionism hurts all of Africa, a continent that has constantly been exploited.

The mutual reduction of tariffs and import bans can help decrease food costs within months (Mutahi & Mudibo, 2021). Nigerian citizens can facilitate free trade within Africa by supporting pro-trade candidates in federal elections. Increasing Nigeria's participation in intra-African trade can bolster food security across Africa and help enrich the continent as a whole.

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