

Nigeria's Economic Boom: A Positive Outcome for Intra-Africa Trade

Dineo Sega¹ and Frank Lekaba²

The bilateral diplomatic relations between South Africa and Nigeria have for years been characterised in tandem by business co-operation and competition for continental dominance. South Africa has been the leading economy on the continent, followed by Nigeria and Egypt. However, things took a drastic turn in April 2014 when Nigeria's rebased gross domestic product (GDP) put it ahead of South Africa as the continent's economic powerhouse. Nigeria's remarkable economic boom, resulting in an output more than 40% larger than that of South Africa, calls for an effort to assess and forecast possible resultant effects on bilateral relations between South Africa and Nigeria. This brief seeks to reflect on the co-operative and competitive dynamics characterising the bilateral relations between the two countries, and to examine any possible resultant political and economic dividends that may promote the development of both countries and the continent as a whole. It concludes that the economic boom in Nigeria should be viewed within the context of the achievement of NEPAD's objectives, and goes on to recommend actions for improving bilateral trade between the two countries. It further suggests that Nigeria and South Africa should get OPEC and BRICS to rally behind the aspirations of the African Union on repositioning the continent in global affairs.

Introduction

Nigeria's economic boom in April 2014, after its gross domestic product (GDP) was rebased, is a progressive and concrete example of what could be achieved if intra-Africa trade was promoted on the continent. The GDP of a country is the currency value of all the final goods and services produced within its borders for a defined period.¹

If boosted, intra-Africa trade has great potential to create employment, catalyse investments and foster continental growth.² Nigeria's phenomenal achievement can be viewed from various angles. Firstly, it signifies the importance of South Africa as a gateway into the continent in terms of investment. South African companies are the

1. Dineo Sega is an intern in the Governance and Security Programme, AISA

2. Frank Lekaba is a junior researcher in the Governance and Security Programme, AISA

main African investors in the continent, African in terms of their origin. Thus this infiltration of the African economies by South African companies makes South Africa a gateway into the continent. The outcome of the economic boom was highly influenced by the presence of South African companies in the Nigerian economy. Secondly, it represents the realisation of the objectives set by NEPAD, which are essentially focused on placing African countries on a path of sustainable and positive economic growth so it can reach the desired level of development and minimise the influence and interference of external countries such as France on and in its domestic affairs. Ali Mazrui comments that the diplomatic relations between Nigeria and South Africa, if well-coordinated and managed, could deliver important dividends with regard to the continent's development and stability. He observes, however, that there are contradictions underpinning the diplomatic relations between the two countries that need to be reconciled, stating that:

Nigeria is indeed the Africa of human resources; South Africa is a land of mineral resources. Nigeria's climate and mosquito ridden habitation had repelled Europeans from settling there; South Africa's more moderate climate and spectacular natural endowments had, in contrast, attracted the largest concentration of white folks on the African continent. While Nigeria therefore remained a racially homogenous country (overwhelmingly black), South Africa manifested the politics of contending ideologies. After its civil war of 1967–1970, Nigeria became Africa's largest exporter of oil. In the wake of its industrialisation South Africa became Africa's greatest consumer of oil.³

It is in the context of these contradictions that Nigeria's economic boom should be understood. It can be argued that there has been progress in these countries despite their domestic affairs, which pose the biggest barrier to their own development. South Africa faces domestic challenges in the form of high levels of unemployment, especially among the youth; poverty; and inequality. The ruling party, the African National Congress (ANC), has characterised these as triple challenges that need to be quickly addressed for the sake of the stability of the country. Nigeria's greatest domestic challenges are Boko Haram and its large educated population that requires an expansion of private investment to create more jobs for it.

These countries have the capacity to help address each other's domestic challenges. South

Africa has a strong state security cluster on the continent, demonstrated for instance by its training of Central African Republic soldiers to withstand and manage insurgency within its borders. Nigeria is in dire need of this essential service that South Africa can offer, and for South Africa to do so, it would exemplify the endeavour towards 'African solutions for African problems'.

South Africa and Nigeria's Brief History and Relations

Bilateral relations between South Africa and Nigeria date back to the 1960s, when South Africa was still ruled by an apartheid regime. By that time, most African countries had gained their independence from the colonial powers, and as one of Africa's independent countries, Nigeria fought against the apartheid regime and contributed greatly to the emancipation of South Africa. It gave significant support to the ANC, and Nigerians funded the black youth of South Africa with monetary donations. The country also played a leading role in the enforcement of economic sanctions and sports boycotts. After South Africa made its democratic breakthrough in 1994, there was an exodus of Nigerian citizens to South Africa with the hope of helping the newly democratised country in its new era. Relations between the two countries soon became frosty, when South Africa's first democratically elected president, Nelson Mandela, urged that Nigeria be expelled from the Commonwealth following the rife injustices and transgressions of human rights that Nigeria's people suffered under their tyrannical leader, General Abacha. Nelson Mandela's advocacy for human rights in Nigeria was largely perceived as an act in favour of the West, and the resultant diplomatic splutter led to a deterioration in relations between the two countries.⁴

Being fully aware of the decline in South Africa-Nigeria bilateral relations, President Thabo Mbeki, who became State President during the same year as President Olusegun Obasanjo of Nigeria, in 1999, tried to stabilise relations between the two countries. Positive diplomatic relations had already been established between Thabo Mbeki and Olusegun Obasanjo during the time that Mbeki spent in Nigeria while in exile. The countries established a Bi-National Commission (BNC) in 1999 to strengthen relations and unify the two states. The benefits from the BNC and other agreements between them are evident in the fact that between 1999 and 2002

the volume of South African exports to Nigeria increased by approximately 540 per cent.⁵

Relations between the countries reached new heights when Nigeria became South Africa's largest trading partner on the continent, and were further strengthened by their joint work on policies and continental politics. Things seemed to be heading in the right direction, until a fateful clash in relations took place between them in 2012. A group of Nigerian citizens were refused entry into South Africa because they were unable to produce valid yellow fever certificates, and in reaction to this a number of South Africans were deported back to South Africa.⁶ To the despair of both heads of states, this incident seriously damaged the existing bilateral relations. What further worsened the situation, was Nigeria's support for Gabonese diplomat and politician Jean Ping to continue his stint as Chairperson of the African Union Commission, a position that South Africa coveted for its own Nkozasana Dlamini-Zuma. Nigeria's move was perceived to be an antagonistic one. Nigeria defended itself by reporting that it had simply supported a joint decision by the Economic Community of West African States (ECOWAS).⁷ Both states attempted to reinvigorate bilateral relations through various diplomatic channels, but one cannot ignore the fact that while these two countries have always had traits that were made for collaboration, at the same time they were characterised by qualities that tend to bring them into contestation.

The Balance of Trade Between the Two Countries

As mentioned, the BNC was formed in 1999, when Nigeria reached its 'third wave of democratisation', as Samuel Huntington called it. This 'third wave of democratisation', which followed the collapse of the Soviet Union in 1980, refers to a time when there were legitimate problems with respect to authoritarian regimes in a world where democratic values were widely accepted.⁸ Authoritarian regimes became exposed, with no more support from either the West or the Soviet Union. The BNC was formed as a platform to strengthen unity, trade and co-operation between South Africa and Nigeria. In pursuit of these aspirations, a number of agreements, such as the Reciprocal Promotion and Protection of Investment Agreement, the Bi-National Commission Bilateral Trade Agreement and the Avoidance of Double Taxation Agreement, were signed. This substantially increased bilateral trade and investments.⁹

Following the signing of these agreements, South African companies from various sectors such as financial services, tourism, retail and telecommunications soon proliferated in the Nigerian market. Mobile Telephone Network (MTN), Digital Satellite Television (DSTV), Stanbic, Shoprite and PEP are some of the companies that have greatly contributed to the Nigerian economy.¹⁰ These companies tapped into Nigeria's economic potential, creating synergies to the advantage of the country's socio-economic growth. In 2003, it was estimated that over fifty South African companies were doing business in Nigeria, with the single largest investor, according to Jonah Onuoha, being MTN.¹¹ By contrast, not much can be said of the participation of Nigerian companies in the South African economic market. Statistics have shown that there are only a few Nigerian companies in South Africa. These include a number of consulting firms.¹² Could it be that Nigerian companies cannot equal the strength of South African companies? Or perhaps South Africa does not have a viable sector for Nigeria to manoeuvre itself into? Yet while South Africa's economic activities seemed to trump those of Nigeria, there is the phenomenon described above of Nigeria's GDP superseding that of South Africa after Nigeria's GDP was rebased with the release by its National Bureau of Statistics (NBS) in 2012 of a figure of N71,1 trillion (about US\$453,9 billion) and a projected figure for 2013 of about N80,2 trillion (about US\$509,9 billion). This elevated the country's GDP by an astonishing 89 per cent. Nigeria is now positioned as Africa's largest economy and comes 26th internationally, leap-frogging from its previous position of 39th.¹³ This came about mainly because Nigeria had not rebased its GDP figure for over a decade, from a time when the country's economy was not as progressive and operational as it is now. Nigeria's growth in GDP furthermore illustrates the progression in the size of its consuming class; and even though the share of agriculture shrunk severely from 33 per cent to 22 per cent, industries such as telecommunications and financial services have grown substantially.¹⁴

One begins to wonder what sparked this economic growth, and if it could possibly be the result of the array of NEPAD goals set by African leaders over a decade ago. NEPAD, a 'holistic, comprehensive integrated strategic framework for the socio-economic development of Africa',¹⁵ was formed in 2001 by ex-presidents Thabo Mbeki (South Africa), Olusegun Obasanjo (Nigeria) and Abdoulaye Wade (Senegal), and President Abdelaziz Bouteflika (Algeria), who expressed

the 'determination to disengage Africa from the malaise of underdevelopment and exclusion in a globalising world' through this framework by advocating for peace, security, sustainable socio-economic development, and political governance.¹⁶

NEPAD has made notable strides in creating awareness of continental issues such as peacekeeping and debt relief, and has afforded the continent a structured approach to problem solving. However, a lack of resources has meant that NEPAD's objectives have not been realised with as much success as anticipated.¹⁷

Realisation of NEPAD's Principles

One of NEPAD's principles is that of 'African ownership and leadership, as well as broad and deep participation by all sectors, building the competitiveness of African countries and the continent and forging a new international partnership that changes the unequal relationship between Africa and the developed world'.¹⁸ It is in the context of this principle that the Nigerian entertainment industry is regarded as a positive outcome due to its global competitiveness, which challenges the perception that the continent is backward in all spheres of life, NEPAD is a programme that seeks to realise an African Renaissance. Through this African Renaissance as the philosophy underpinning its efforts NEPAD seeks to renew the image of the continent globally as a conflict-ridden, poverty-stricken place plagued by utter underdevelopment to one that acknowledges it as a global competitor. One of the sectors that caused the spectacular boom in Nigeria's economy was its entertainment industry, known as 'Nollywood'. Nollywood, the third-largest film industry in the world after Hollywood and Bollywood, has brought a substantial amount of money into the economic market. The Nigerian entertainment sector has shown that there is development in the export channels that have taken Nigeria's economy stories further afield.¹⁹

What has also contributed to Nigeria's economic leap is the tremendous increase in the financial services and telecommunications sectors in the country, meaning that the consumer market grew in comparison to the other sectors. One of the reasons for this could be the Obasanjo regime's conceptualisation of new policies that encouraged democracy and trade, as a result of which South African companies involved in telecommunications, retail and hospitality ventured into the Nigerian market, where they have uncapped the potential of the country's

economic sector. But even though this economic growth is good for Nigeria, there still needs to be a balance not only as regards the economic growth in Nigeria but also as regards the trade between Nigeria and South Africa. Nigerian business people have argued that trade restrictions in the form of permits make it hard for them to bring their products into South Africa. This could also be because Nigeria's economy is not as comparatively diversified as that of South Africa; Nigeria is known as an import-dependent country which only exports oil and gas.

Economic growth is strongly conjoined with development, good governance and security. Does this GDP growth show that? In the lives of ordinary Nigerians, the growth in GDP will not have had a direct impact. The GDP per capita – an indicator that is used to describe the relationship between overall wealth and the population – has not changed. GDP growth has not brought much change with respect to Nigeria's governance and security problems either. Nigeria has been shaped by bad governance and a lack of infrastructure, peace and transparency. The only institutions that will essentially be affected by its GDP growth are the companies that have a bigger consumer market; and it will certainly affect the government of Nigeria when its population goes to the polls in 2015. But on another level, this economic development also foreshadows the gradual rise of Africa. For it is sure to foster economic development and encourage competition amongst African countries, ultimately positioning the continent to compete globally with other emerging and even developed countries.

Conclusion

The economic boom upon the rebasing of Nigeria's GDP tells a positive narrative about the co-operative bilateral relations between that country and South Africa. It should become standard practice for countries on the continent to invest in each other and become consumers of each other's raw materials. This positive trend can serve as an example of how trade relations can be established. It is a notable point that the ambition of both these countries to be superpowers on the continent, is not helpful to the developmental agenda of the continent. Nigeria has a serious battle to wage against Boko Haram and has solicited the assistance of the United States of America in tracking their location. This has exposed the intelligence of Nigeria to the West, which is notorious for undermining the

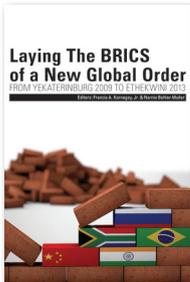
intelligence agencies of countries of the South, infiltrating and occupying them to benefit their own interests. It is not in the interests of either Nigeria or the community of West Africa to have American intelligence agencies present in that part of the continent. At the same time, it is an embarrassment to Nigeria not to have located and recovered the girls kidnapped by Boko Haram yet. How can a country that fails to resolve such critical instability in its own backyard aspire to lead the continent and resolve its challenges? The fact that the West ignored the road map suggested by the African Union (AU) in the Libyan crisis speaks volumes about their attitude towards the capacity of the AU to resolve African problems, which again serves as a serious indictment of both Nigeria and South Africa in their role as the leading economies on the continent. The involvement of the West, particularly the US, in the fight against Boko Haram is a concrete example of the incapacity of Nigeria and the AU in particular to resolve the problems of the continent.

Recommendations

- Nigeria needs to deal with its prodigious internal issues and develop institutions, infrastructure, good governance and a diversified economy in order to attract potential collaborative investors.
- In terms of the bilateral relations between South Africa and Nigeria, there needs to be a balanced trade synergy. When trade is favourable to both states, mutual growth will be accelerated.
- Both states need to enhance relations by being cooperative and collaborative.
- Nigeria and South Africa should maximise on the resources they possess, namely human and natural resources respectively, in order for mutual socio-economic growth to occur.
- The financial services and telecommunication sectors in Nigeria grew, while its agricultural sector declined from 33 per cent to 22 per cent because of a lack of technological agricultural devices. Given South Africa's well-developed agribusiness, it is well placed to engage in knowledge and technological innovation sharing with Nigeria in that sector, representing more opportunity for collaboration.

Notes and References

- 1 Hoover, K.D., 2011. Applied Intermediate Macroeconomics. Cambridge University Press.
- 2 Economic Development in Africa Report, 2013. Intra-African trade: Unlocking Private Sector Dynamism, 2013. United Nations Conference on Trade and Development, Geneva.
- 3 Mazrui, A., 2006. A Tale of Two Africas: Nigeria and South Africa as Contrasting Visions. London: Adonis and Abbey.
- 4 Centre for Conflict Resolution, Policy Advisory Group Seminar Report, 2012. The Eagle and the Springbok: Strengthening the Nigeria/South Africa relationship. Cape Town.
- 5 Adebajo, A., 2012. Nigeria and South Africa-Rivalries, Rows and Reconciliations: Nigeria and South Africa-Rivalries, Rows and Reconciliations. Available at <http://allafrica.com/stories/201208020446.html> [Accessed April 2014].
- 6 Malala, J., 2012. 'Stupid' fever strikes Africa. *Times LIVE* [Online] 12 March 2012. Available at <http://www.timeslive.co.za/opinion/columnist/2012/03/12/stupid-fever-strikes-africa> [Accessed April 2014]
- 7 South African Foreign Policy Initiative, 2012. Dr Zuma's emergence as chairperson of the AU Commission SAFPI. Available at <http://www.safpi.org/newsarticle/2012/drzumas-emergence-chairperson-au-commission> [Accessed April 2014]
- 8 Huntington, S., 1991. The Third Wave: Democratization in the late Twentieth Century. Norman: University of Oklahoma Press.
- 9 The Department of International Relations and Cooperation, 2013. Nigeria-South Africa Relations. Available at <http://www.dirco.gov.za/abuja/bilateral.html> [Accessed April 2014].
- 10 South Africa-Nigeria Chamber of Commerce. 2012. South African firms succeed in Nigeria. Available at <http://www.sa-ncc.co.za/news/143-south-african-firms-succeed-in-nigeria> [Accessed May 2014].
- 11 Onuoha, J., 2005. The Emerging giants of Africa: a study of Nigeria-South Africa relations in the post-apartheid era. *African Renaissance*, 2(6), p.65.
- 12 Anaebonam, W., 2014. South African Companies overtaking Nigerian Economy? *My Daily News Watch*, [Online] 02 March. Available at <http://www.mydailynewswatchng.com/south-african-companies-overtaking-nigerian-economy> [Accessed April 2014].
- 13 The Telegraph, 2014 Nigeria overtakes South Africa as biggest African economy. *The Telegraph*, [Online] 07 April, Available at <http://www.telegraph.co.uk/finance/economics/10749116/Nigeria-overtakes-South-Africa-as-biggest-African-economy.html> [Accessed April 2014].
- 14 Chima, O., 2014. Nigeria's economic potential hindered by weak institutions. *THISDAYLIVE*, 11 April. Available at <http://nigeria-s-economic-potential-hindered-by-weak-institutions/175888/> [Accessed April 2014].
- 15 Goals and Objectives, n.d. NEPAD Council. Available at <http://nepadcouncil.org/wp/nepadcouncil/goals-and-objectives/> [Accessed April 2014].
- 16 Ibid.
- 17 Ross, H., 2004. The survival of NEPAD and the African Peer Review Mechanism: A critical analysis. *The South African Institute of International Affairs*, 11(1).
- 18 The Department of International Relations and Cooperation, NEPAD in Brief. Available at <http://www.dfa.gov.za/au.nepad/nepadbrief.htm> [Accessed April 2014].
- 19 Udo, B., 2013. Nollywood rated third globally in revenue earnings, says NEXIM Bank MD. *Premium Times* [Online] 22 March. Available at <http://www.premiumtimes.ng.com/arts-entertainment/126365-nollywood-rated-third-globally-in-revenue-earnings-says-neximbank-md> [Accessed April 2014].



Laying the BRICS of a New Global Order From Yekaterinburg 2009 to eThekweni 2013

Edited by Francis A. Kornegay and Narnia Bohler-Muller
ISBN 987-0-7983-0403-0



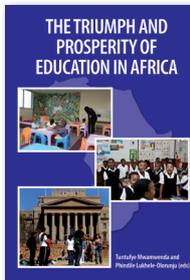
The Social Contract in Africa

Editor: Sanya Osha
ISBN 978-0-7983-0444-3



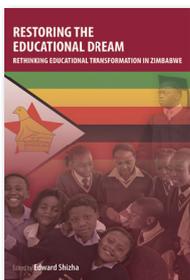
The Future We Chose: Emerging Perspectives on the Centenary of the ANC

Editor: Busani Ngcaweni
ISBN 978-0-7983-0436-8



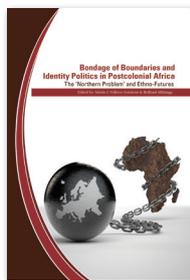
The Triumph and Prosperity of Education in Africa

Edited by Tuntufye Mwamwenda and Phindile Lukhele-Olorunju
ISBN 978-0-7983-0371-2



Restoring the Educational Dream: Rethinking Educational Transformation In Zimbabwe

Edited by Edward Shizha
ISBN 978-0-7983-0407-8



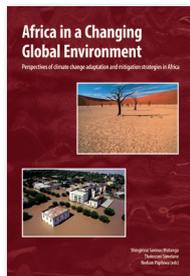
Bondage of Boundaries and Identity Politics in Postcolonial Africa: The 'Northern Problem' and Ethno-Futures

Edited by Sabelo J. Ndlovu-Gatsheni and Brilliant Mhlanga
ISBN 978-0-7983-0391-0



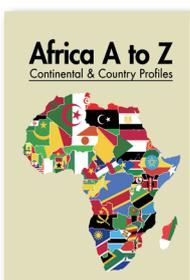
Nationalism and National Projects in Southern Africa: New critical reflections

Edited by Sabelo J. Ndlovu-Gatsheni and Finex Ndhlovu
ISBN 978-0-7983-0395-8



Africa in a Changing Global Environment: Perspectives of climate change and mitigation strategies in Africa

Edited by Shingirirai Savious Mutanga, Thokozani Simelane, Nedson Popiwa
ISBN 978-0-7983-0375-0



Africa A to Z: Continental & Country Profiles

Cartographer: Elize Van As



Forum on China-Africa Cooperation Knowledge, Skills and Development Cooperation

Edited by Li Anshan and Funeka Yazini April
ISBN 978-0-7983-0367-5



Incorporated into the HSRC since April 2014

Private Bag X41
Pretoria
0001
South Africa

134 Pretorius Street
Pretoria
South Africa
0002

Tel: +27 (0)12 316 9700
Fax: +27 (0)12 323 8153

E-mail: publish@hsrc.org.za,
Website: www.hsrc.org.za

AISA is a statutory research body focusing on contemporary African affairs in its research, publications, library and documentation. **AISA** is dedicated to knowledge production, education, training and the promotion of awareness on Africa, for Africans and the international community. This is achieved through independent policy analysis, and the collection, processing and interpretation, and dissemination of information.

ISSN 1998-7994



9 771998 799009