



Research Paper

## Trade Imbalance in Nigeria – South Africa Economic Relations C. 1994 – 2017

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### ABSTRACT

The paper examines the trade imbalance in Nigeria – South Africa economic relations between 1994 – 2017. Nigeria's exports to South Africa include oil, human resources and raw materials, with oil contributing 95 percent of her export to South Africa. While South Africa exports manufactured goods which include electrical equipment, machinery, wood, paper, foodstuff, beverages, spirit, tobacco, rubber, and plastic among others. These products are value added and South Africa's economy is diversified in nature. Ever since the establishment of formal bilateral economic agreement in 1994 between the two countries, it has been difficult for Nigerian firms to penetrate the South African economy. The paper also looked at the presence of many South African Companies doing business in Nigeria, example, MTN, DSTV, Shop Rite, Stanbic Bank to mention but a few. Thus, the study made use of secondary data. Secondary sources include newspapers, text books, journals and internet materials. The study found out that despite increase in trade volume the trade imbalance is skewed in favour of South Africa. Of course, one can argue that South Africa is well positioned to benefit from the trade profit than Nigeria given its number of Multinational Corporations operating in Nigeria and technological expertise. Nigeria could also benefit from that colossal market and employment opportunities. To achieve that, Nigeria has to add value to both its agricultural raw materials and oil products. This in other words means investment in the industrial sector of the economy.

**KEYWORDS:** Nigeria, South Africa, Imbalance, Trade, Economic, Relation.

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### I. INTRODUCTION

Nigeria-South Africa relations refer to the long existing historical relationship between Nigeria and South Africa.<sup>1</sup> Both countries are former British colonies and members of the Commonwealth of Nations and African Union. Nigeria and South Africa are, respectively, the first and second largest economies in the African region. These countries are viewed as forerunners of continental development and epitomes of regional diplomatic links in West Africa and Southern Africa respectively. Nigeria and South Africa had made concerted efforts to position the region as a critical global actor in international economic relations. The relations of the major African powers had been strengthened by the need to resuscitate Africa's ailing economy and mediate the consequences of imperialism.<sup>2</sup>

However, before the commencement of formal relations between the two nations, the nature of the relations was influenced by the struggle to emancipate colonized African states especially Southern Africa; Namibia, Angola, Mozambique, Zambia, Zimbabwe and South Africa. The African orientation of Nigeria's foreign policy is evident in the declaration by the former Minister of External Affairs, Mr. Jaja Wachukwu, in 1961 that colonialism and all its manifestations must be ended and that Nigeria would be failing in its duty if it

1 Africa south of the Sahara 40<sup>th</sup> edition. *Europa Regional Surveys of the World*. 2011. P 926.

2 Bamidele Seteolu, et al. *The Struggle for Hegemony in Africa: Nigeria and South Africa Relations in Perspectives, 1999-2014*. 2017. Pp. 57.

did not use its full resources, such as intellectual, moral and material, in the struggle for the emancipation of the rest of Africa.<sup>3</sup>

Nigeria fought against the apartheid struggle 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.<sup>4</sup>

In 1999, the South African and Nigerian governments signed bilateral agreements on trade and investment. These agreements among other things, aimed at increasing the amount of trade and investment between South Africa and Nigeria. The signing of these agreements witnessed inter-alia improved trade relations between South Africa and Nigeria and South African corporations as big players in the Nigerian economy.<sup>5</sup> On improved trade relations between both countries, the volume of trade between South Africa and Nigeria increased from 1999. Prior to 1999, trade between the two countries was minimal. In 1994, South Africa exported US\$8.1 million worth of products to Nigeria; while it imported US\$3.1 million worth of commodities from that country.<sup>6</sup>

With the signing of the South Africa - Nigeria bilateral trade agreement, the situation changed. By 2005 South Africa was exporting goods to the value of R3.4 billion to Nigeria and importing R4.2 billion worth of commodities from Nigeria. South Africa's exports to Nigeria include machinery, electrical equipment, appliances, wood, paper, prepared food stuffs, beverages, plastics, rubber, chemicals etc. However, oil makes up 95% of Nigeria's exports to South Africa. The situation means that South Africa is exporting a wide range of goods to Nigeria, many of which are value added manufactured goods.<sup>7</sup> This translates into an unequal trade situation between South Africa and Nigeria; in which South Africa is in fact the dominant partner in terms of trade relations. What really highlights the unequal relationship that exists between Nigeria and South Africa, however, is the fact that South African companies have come to dominate many sectors of the Nigerian economy. In the light of this, the study examines "The trade imbalance in Nigerian-South African economic relations", especially in the areas of telecommunication(MTN), banking (Stanbic Bank), media (DSTV), retail (Shoprite), hospitality, property development, construction and tourism, to mention a few.

### **Trade Imbalance between Nigeria – South Africa**

Trade imbalance exists when a nation's exports are much greater or much lower in value than its imports, typically of trade imbalance between two countries, when one country exports much more to the other than it imports from that country. The balance of trade of a country can be defined as the difference between the value of the country's exports and the value of its imports. A country, like the United States, which imports more than it exports is said to have a negative balance of trade or a deficit. A country like China has a positive balance of trade. Since the US imports much more from China than it exports to China, a trade imbalance exists between the two countries.<sup>8</sup>

Trade relationship between Nigeria and South Africa dates back to the post-apartheid era, which is almost three decade now, but it appears South African investments and products are more in Nigerian markets than in other African countries. Experts believe that South Africa is more comfortable in investing in Nigeria than other African economies because Nigeria is a very big market.<sup>9</sup>

Again, there are those who believe that the South Africans see Nigeria as a true friend and a good trading partner, which was at the vanguard of ending apartheid regime. A former Nigerian High Commissioner to South Africa, Alhaji Shehu Malami told Weekly Trust that:

South Africa believes it has an obligation towards Nigeria for its role during and after the apartheid regime. South Africa is aware of Nigeria's contribution to it, for their welfare; for getting them to the end of apartheid, for sending them food, training their military, giving them scholarships to Nigerian universities, so there is this feeling of obligation towards Nigeria as a friend<sup>10</sup>

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3 Osita Agbu, et al. *The Foreign Policy Environment in Nigeria and Implications for Nigeria – South Africa Relations: Baseline Study* 2013.p. 1.

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 Ibid.

6 [www.aripd.org/jirfp](http://www.aripd.org/jirfp): *Journal of International Relations and Foreign Policy*; 2013. pp. 32.

7 Joseph. C. *An Evaluation of Nigeria – South Africa Bilateral Relations*.2013. pp. 36.

8 <https://www.enotes.com/homework-help/what-trade-imbalance-272094>.

9 Aminu Mohammed. "Nigerian Economy" *The South African Invasion: Weekly Trust Newspaper*. Saturday, September 13, 2003.

10 Ibid.

The former high commissioner maintained:

Looking at the statistics of trade relations between the two countries however, Nigeria exports more than it imports from South Africa. The statistics between 1994 and 2002 showed that it was only in 1994 that South Africa exported into Nigeria more than what Nigeria exported into South Africa. In 1994, Nigeria exported products worth \$3.1 million while South Africa exported into Nigeria goods worth \$8.1 million.<sup>11</sup>

However, in the year 2000, Nigeria exported products totaling \$128.1 million while only \$70.7 million worth of goods from South Africa came into the Nigerian economy. Moreover, the years 2001 and 2002 both show Nigeria exporting products worth \$165.8 million and \$361.9 million respectively while South Africa brought in \$164.8 million and \$272.8 million respectively. This therefore does not portend a great danger to the Nigerian economy from South Africa but then, at the rate South African investors are daily trooping into the country with their investments, the present imbalance may take another dimension and the fear is that the local economy may end up in the hands of foreign investors who would now determine the purchasing pattern of the Nigerian, his attitude and in short dictate his needs.<sup>12</sup>

However, statistics available on the number of Nigerian companies in South Africa show that there were only few like Union Bank, First Bank, Philips Consulting, News Media, Financial Standard and ThisDay Newspapers, as of the 2003, but as as 2017 none of these companies exist in South Africa apart from Dangote cement, due to lack of patronage and other conditions. There are however according to Mr. Obadimu other small-scale Nigerian firms in South Africa, which are not significant.<sup>13</sup>

The former Nigerian High Commissioner to South Africa, Amb. Martin Cobham, has called for more Nigerian investments in that country to enhance the balance of trade between the two countries. Cobham suggests that the Federal Government should use the Nigeria-South Africa Bi- National Commission to open up avenues for more of such investments. According to him, "Nigeria is a big market; South Africa has the technology, so, the two countries share an inclusive and collaborative desire to work together." The two countries are economic giants. Therefore, there should be joint ventures between Nigerian and South African investors. South Africa has a lot of companies in Nigeria, but there is a dearth of Nigerian companies here in South Africa, he further stated.<sup>14</sup>

According to Cobham, in the next meeting of the Bi-National Commission, should open doors for Nigerian investors to have similar investments and enterprises in South Africa. For a start, we can have Mr Biggs, or a Nigerian bank to cater for the Nigerian community in South Africa. The South African banks have stringent measures," he maintained. The high commissioner suggested that relevant bodies like the Nigerian Economic Summit Group and the Nigerian-South African Chamber of Commerce could also be used to open up avenues for such Nigerian investments. To date, only Dangote Cement has a substantive presence in South Africa.<sup>15</sup>

Moreover, South African companies have completely overrun Nigeria leaving the country and its nationals at the outskirts of the economy seen as one of the largest and most financially rewarding on the African continent. The reverse is the case in South Africa as Nigerians and their businesses suffer discrimination and exclusion. Indeed Nigerians in South Africa are usually employed in the informal sector of the economy which did not permit substantial remittance of resources. South Africa's invasion and resultant control of the economy was helped by Nigeria's desperation for foreign investments and hasty opening up of the sectors before the right conditions are adopted. Unlike South Africa, there is currently no restriction on foreign nationals or foreign entities doing business in Nigeria as they are only required to incorporate a local vehicle registered with Nigerian Investment Promotion Commission (NIPC) before commencing business.<sup>16</sup>

But in South Africa, there have been reports of how South African authorities insist on stringent measures against Nigerian businesses. For instance, Main One, a trans-Atlantic submarine fiber-optic cable network promoted by Main Street Technologies was reportedly denied landing on the ground that nationals of the former apartheid enclave do not have controlling shares in the company. Seizing the opportunities presented

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11 Ibid.

12 Ibid.

13 Ibid.

14 <https://opera.pulse.ng/news/local/south-africa-avenues-exist-for-nigerian-investments-in-country-id6935698.html>, 3/7/2017.

15 Ibid

16 Kanu Iroegbu. *Trade Imbalance: Dark Cloud Hangs over Nigeria- South Africa Relations* Published8file:///C:/Downloads/Trade%20Imbalance%20%20Dark%20Cloud%20Hangs%20over%20Nigeria,%20SA%20Relations%20%E2%80%93%20Nigerian%20CommunicationWeek.htm. ago on March 1, 2010

by Nigeria's lax environment, South African entrepreneurs who have built up capacities (technical, financial and other know-how) during the prolonged apartheid regime started heading to Nigeria in the mid-90s.<sup>17</sup>

In South Africa, apart from hundreds of Nigerian expatriates in that country's schools, hospitals, manufacturing firms, there is no record of Nigerian businesses. Even the ballot papers used in the 2007 general elections in Nigeria were printed in South Africa. The bad news is that rather than enjoy the benefits of the influx of the foreign companies, Nigerian economy is under pressure as the foreign firms determine what to produce and at what price Nigerians must buy. Most of the foreign businesses are also perversely established as portfolio investment in paper assets that could quickly flow back out of the country.

Patrick Omokhidion, observed that, the security and economic implication will be far reaching at the end of the day. He stated further "if South Africans suddenly withdraw from the country, Nigeria will be worse than Somalia, recall what happened to Asian countries when some portfolio investors left overnight.<sup>18</sup> The control of the country's economy by the South Africans started sore-footedly at the end of the obnoxious apartheid regime in 1994 and has over the last years turned to an invasion.<sup>19</sup>

Suddenly realizing that bilateral relations between the two countries are skewed in favour of the South African, Nigeria is now crying foul. But as Nigeria cry, South African entrepreneurs smile to the banks here while there were little or no opportunities for Nigerians to do real business in the opposite direction.<sup>20</sup>

Furthermore, the visit by South Africa's president, Jacob Zuma to Nigeria in March 2016, among other things, revealed that there were 120 big South African Companies in Nigeria. The number of the companies rose from only 4 in 1999 to 120 in 2016. While South African Companies in Nigeria enjoy growth and patronage, Nigerian companies in South Africa are being stifled out of operation.<sup>21</sup>

According to Mr Ike Anyene, president of over 1 million Nigerians living in South Africa, the South Africans have put in place some laws to ensure that foreign businesses do not thrive in their Country. South Africa like the Shoprites, MTNs and Multichoices that abound in Nigeria even as big companies like Dangote Groups, Thisday Newspapers tried in vain to establish big companies in South Africa.<sup>22</sup> We cannot say that there is any big Nigerian company in South Africa: the enabling environment for the success of Nigerian businesses and other foreign business is not there in South Africa. There is enabling environment for them in Nigeria that is why they are trooping into Nigeria. We have Nigerians that can invest in South Africa, Dangote has invested in South Africa but he could have invested more but there was no enabling environment. South Africa's President has promised to improve the environment for Nigerian businesses. Nigerian companies are not trooping into South Africa the way South African companies are coming to Nigeria, he further said.<sup>23</sup>

According to Mr Matthew Okafor, Thisday Newspapers came into South Africa, set up shops, printing in South Africa, today they are out of South Africa, they were squeezed out of the market, what happened is because the cost of entry into the market is very high. "In South Africa, the system is not designed to encourage that level of entrepreneurship coming from outside. There are active laws of protectionism in South Africa but it is free market in Nigeria, government encourages Foreign Direct Investment (FDI) in Nigeria. "The main factor that led to Thisday Newspaper leaving was because the country was renting the press at a very exorbitant price and they have controlled the prices in South Africa." Okafor maintained that the South African government prevents companies from taking the proceeds of their business from South Africa to their country.<sup>24</sup>

However, South African companies in Nigeria are allowed to repatriate high amount of proceeds from their businesses to South Africa citing example with MTN and Multichoice, over 60 per cent of total income made by the companies in the whole of Africa. "MTN is doing well in Nigeria but the same cannot be said about Nigerian companies in South Africa," he concluded, where he pledged to strengthen the bilateral ties between the two countries. He also admonished youths in South Africa never to forget the huge contribution of Nigeria to liberating South Africa from Apartheid.

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17 Ibid

18 Ibid

19 Ibid

20 Ibid

21 Ibid

22 <https://www.naija.ng/763822-revealed-the-trade-imbalance-between-nigeria-and-south-africa.html>

23 Ibid

24 Ibid

According to the Nigerian High Commissioner to South Africa, Amb. Martin Cobham:

Currently, the balance of trade is in favour of South Africa Beyond the area of investments between the two countries, flights to Nigeria from South Africa are dominated by the South African aviation industry. There are 10 weekly flights to Nigeria, seven to Lagos, three to Abuja and none from Nigeria<sup>25</sup>

Cobham therefore called for collaboration in the aviation sector, to make the two countries jointly own planes to meet the needs of their people. The high commissioner stated that, “we want to see a Nigerian telecommunication giant, like Globacom equally make forays in South Africa. We should also make a case for Nigerian farm produce to come in South Africa without hindrance because we have a sizeable Nigerian population here and they love our native food.” There should be more opening of doors in favour of Nigeria in South Africa, Trade between Nigeria and South Africa has increased steadily from N43.6 billion (R.20.6 billion) in 2010 to N1.3 trillion (R.62 billion) in 2015.<sup>26</sup>

### **Implications of Nigeria and South Africa Bilateral Relations for Nigeria**

Nigeria and South Africa have continued to enjoy cordial political and economic relationship even in the midst of diplomatic rifts. Bi-lateral relationship between the two countries has enhanced political cooperation. However, their economic relationship, particularly, in the relations to the principle of comparative advantage favoured South Africa. This negative development has destructive impact on Nigerian infant industries, because, the open doors of Nigerian economy policies to South Africa has led to cases of non-competitiveness of the local industries with those in South Africa. In fact, it has become a common practice of some Multi-national Corporations from South Africa to engage in predatory practices that reduce the cost of services far below of Nigeria enterprises in order to reduce domestic competition, which thus gives room for monopoly or oligopoly of markets. For instance, the establishment of MTN in Nigeria has largely contributed to the failure and total demise of NITEL. Prior to the advent of MTN, Nigerian Telecommunications Network (NITEL) provided telephone services to Nigerians. But with the advent of MTN, the Federal Government has diverted its attention towards ensuring that MTN is consolidated in Nigeria. This diversion of focus, among other factors, led to the inability of NITEL to compete with the MTN, which thus led to its collapse<sup>27</sup>

In Nigeria, MTN has continued to be a strong hold and competitor within Nigerian telecommunications sector, while GLO, Etisalat and other networks owned by Nigerians are playing second fiddle. In spite of high tariff, MTN maintains the highest subscribers in Nigeria. As at December 2014, MTN has over 59,893,093 subscribers, Globacom has 28,219,089, Airtel has 27,556,544 and Etisalat is just with 21,103,749 subscribers. From the analysis, it should be cleared that MTN has consolidated itself within Nigerian telecommunication sector, while others who local companies have less subscribers.<sup>28</sup>

In another dimension, the DSTV a South African television company succeeded in Nigeria in spite of its stiff competition with the Nigerian Television Corporation. Its advent into Nigerian Information Sector has contributed to the liquidation of HITV in 2009, due to inability to compete efficiently and effectively with the DSTV. Even with the high charges, DSTV has more subscribers of over 4 million than Nigerian indigenous Star Times Television Company. There is also problem of profit repatriation and capital flight in the bilateral relations of the two countries. It is not only that South African firm has entrenched and consolidated itself in Nigeria’s economy sectors; its profit repatriation from Nigeria to its home country makes Nigeria relatively loss in economic bilateral relations. Although the proponents of direct foreign investment may have asserted that foreign companies have contributed to Nigerian economy in form of taxes, however, the taxes cannot be compared to the amount of profits accrued from Nigeria. For instance, between 2001 and 2010 alone, MTN recorded a profit of N857.655 billion naira as after tax profit. Meanwhile, a paltry sum of N24 billion was paid as tax within the same period. This imbalance in trade and payment is having negative implications for Nigeria’s economy<sup>29</sup>

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25 <https://opera.pulse.ng/news/local/south-africa-avenues-exist-for-nigerian-investments-in-country-id6935698.html>. 3/7/2017.

26 *Ibid*

27 Shittu Rajiet, al. *Nigeria and South Africa: A Comparative Analysis of Political and Economic Relations*. 2015. Pp.187.

28 *Ibid* 2015. Pp. 187

29 . *Ibid* 2015. 188

## II. CONCLUSION

In conclusion, this is by and large a study in the history of Nigerian-South Africa economic relations from 1994 - 2017. However, trade relations between Nigeria and South Africa stretches back to the period before South Africa attain independence. The research findings show that Nigeria and South Africa have been benefitting reasonably from this diplomatic relation, although, their relationship has been comparatively favoured South Africa than Nigeria. The study discovered that there is the need for improvement in the areas of infrastructural development, highly skilled human resource and technological advancement in Nigeria for the pendulum of mutual benefits to be optimally tilted equal. The signing of diplomatic relations between the two countries in 1994 accelerated the tempo and gusto of the trade relations.

Both Nigeria and South Africa are unique nations not only in their respective regions and continent but the world at large. Both countries are former British colonies and members of the commonwealth Nations and African Union, the first and second largest economies in Africa. Moreover, as we have noted in the study, trade imbalance is another concern in the Nigerian – South Africa trade relations. Since the signing of bilateral economic relations between the two nations in the late 1990s to date, the trade imbalance has been always skewed in favour of South Africa. Of course, one can argue that South Africa is well positioned to benefit from the trade profit than Nigeria given its level of Multinational Corporations' in Nigeria and technological expertise. Nigeria could also benefit from that colossal market and employment. To achieve that, Nigeria has to add value to both its agricultural raw materials and oil products. This in other words means investment in the industrial sector of the economy. There is an urgent need to institutionalize the bilateral relationship between both countries for continuity. There is no doubt that the creation of the South Africa - Nigeria Bi-national Commission and the growing bilateral commercial ties that exist between the two nations will help to overcome this concern. Both countries established the Bi-national Commission to promote trade and political cooperation in 1999 which has since met many times.

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