

South Africa's trade with Nigeria

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BILATERAL TRADE ANALYSIS

Introduction

This Trade Update provides a snapshot of South Africa's trading relationship with Nigeria. Further updates profiling South Africa's trade with select partners in Africa, include Egypt, Kenya and Zimbabwe.

The aim is to give an idea of South Africa's trade relations with the select partner, and the major products or sectors that South Africa is trading in.

All data is sourced from the United Nations (UN) International trade Centre (ITC) TradeMap database. The data analysed in this report is over a 10-year review period from 2007-2016, thus the review period referred in this paper will imply the period between 2007 and 2016.

Bilateral Trade Agreements

The relative importance of Nigeria in terms of trade on the continent cannot be overemphasised, as the large market of Nigeria (population of 190 million)¹, provides trade and investment opportunities for countries such as South Africa, which is aiming to expand its footprint into the continent beyond Southern Africa. Therefore, closer cooperation on bilateral and regional issues is key.

The establishment of the Bilateral National Commission (BNC) in 1999 was envisaged as the platform for building a bilateral relationship that is defined by greater institutionalised cooperation on regional and global concerns. However, this was bogged by lack of progress partly attributed to lack of political will, which saw the first BNC meeting only taking place in 2012². Concerns around xenophobia in South Africa also raised questions on how this will affect will affect the countries' bilateral relations. Since its establishment, eight sessions had been held, and 34 agreements and Memorandum of Understanding had been signed³.

¹ CIA World Factbook (2017): see: <https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html>

² See: <http://www.dirco.gov.za/abuja/bilateral.html>

³ See: <https://www.thisdaylive.com/index.php/2016/03/13/nigeria-south-africa-relations-beyond-the-rhetoric/>

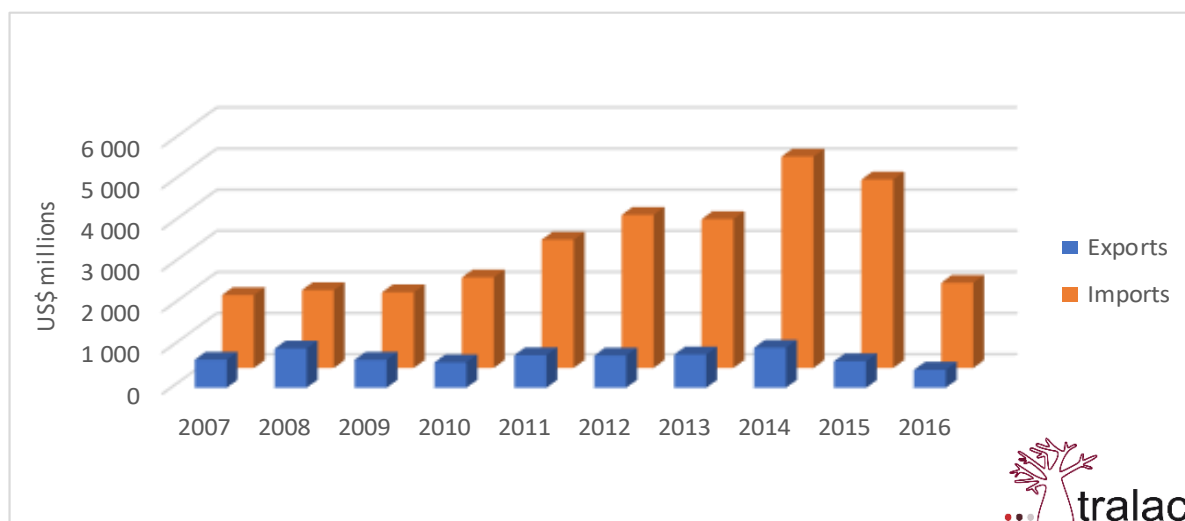
Nonetheless, the continental free trade area (CFTA), which enjoys political support amongst the African Union (AU) member states, provides an opportunity for the two countries strengthen their relations, both politically and economically, which ultimately can be a conduit to strengthening Africa's voice on global matters.

Trade Performance

South Africa has over the review period 2007-2016 maintained a trade deficit with Nigeria, mainly attributed to the large imports of crude oil, which have consistently accounted for 99% of South Africa's imports from Nigeria. Exports however, despite being low are relatively diverse. In 2016, South Africa exported goods worth just above US\$ 438 million compared to over US\$2 billion in imports from Nigeria.

From a global perspective, Nigeria is ranked 32nd amongst South Africa's export destinations accounting for less than 1% of South Africa's total exports. In terms of imports, Nigeria, is ranked 10th import supplier to the South African market. However, when considering the African market, the Nigeria is ranked 12th export destination for South Africa's goods and is ranked 1st most important import source from Africa.

South Africa's bilateral trade with Nigeria (2007 – 2016)



Source: UN ITC TradeMap database, author's calculations

A look at the product composition reveals that South Africa mainly imports oil (primary based) which accounts for the US\$ 2 billion (99%), while the exports are relatively diversified and comprising mainly value-added manufactured goods. The typical trade relationship between South Africa and Nigeria is that of developed country versus developing country trade relationship where South Africa (developed) and Nigeria (developing)

Important to note however is that the Nigerian market itself is huge and has limited supply capacity beyond oil, to the extent that any existing capacity is absorbed by the domestic market and trade with other West African countries. In this regard, without a clear strategy to boost production and trade in non-oil products there is limited scope in the short to medium term for Nigeria to consider South Africa as a market of choice for its goods and services.

Big Picture: Composition of trade between South Africa and Nigeria

Beyond crude oil, South Africa imports an additional US\$ 9 million from Nigeria which includes fertilisers, Rubber products, coffee & tea as well as aluminium products. South Africa's fast growing (high value) exports to Nigeria include, edible fruits Ships & boats, as well as plastic products (see table below).



Source: UN ITC TradeMap database, author's calculations

Top 10 products traded by South Africa and Nigeria (US\$ 000)

| | Exports (US\$ 000) | | | | | Imports (US\$ 000) | | | |
|---|--------------------|----------------|--------------|--------------------|---|--------------------|------------------|--------------|--------------------|
| | 2007 | 2016 | % share 2016 | % CAGR (2007-2016) | | 2007 | 2016 | % share 2016 | % CAGR (2007-2016) |
|  | | | | | | | | | |
| Total All products | 683 748 | 438 381 | | -5% | Total All products | 1 771 839 | 2 069 882 | | 2% |
| Plastics and articles thereof | 24 326 | 89 559 | 20% | 16% | Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ... | 1 751 917 | 2 054 347 | 99% | 2% |
| Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ... | 72 593 | 43 041 | 10% | -6% | Fertilisers | 0 | 2 725 | 0% | -- |
| Edible fruit and nuts; peel of citrus fruit or melons | 223 | 38 844 | 9% | 77% | Rubber and articles thereof | 1 587 | 2 669 | 0% | 6% |
| Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof | 42 021 | 36 243 | 8% | -2% | Coffee, tea, maté and spices | 435 | 2 095 | 0% | 19% |
| Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ... | 103 305 | 32 792 | 7% | -12% | Aluminium and articles thereof | 2 | 1 943 | 0% | 115% |
| Ships, boats and floating structures | 361 | 17 279 | 4% | 54% | Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles ... | 112 | 1 392 | 0% | 32% |
| Iron and steel | 34 782 | 17 241 | 4% | -8% | Residues and waste from the food industries; prepared animal fodder | 0 | 748 | 0% | -- |
| Paper and paperboard; articles of paper pulp, of paper or of paperboard | 40 625 | 15 864 | 4% | -10% | Lead and articles thereof | 8 712 | 725 | 0% | -24% |
| Miscellaneous edible preparations | 21 172 | 12 719 | 3% | -6% | Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ... | 632 | 703 | 0% | 1% |
| Organic chemicals | 12 850 | 12 492 | 3% | 0% | Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof | 1 142 | 418 | 0% | -11% |
| Other | 331 490 | 122 307 | 28% | -10% | Other | 7 300 | 2 117 | 0% | -13% |

Source: UN ITC TradeMap database, author's calculations

Trade Interventions

At the African level, efforts currently undertaken by both countries to establish a Continental Free Trade Area (CFTA) demonstrate the need to boost trade. At the country level, both countries have undertaken certain measures.

Nigeria

Nigeria aims to diversify away from oil into sectors such as agriculture, solid mineral mining, construction materials, and manufacturing as part of its Vision 20:2020 and its Economic Recovery and Growth Plan (ERGP) 2017-2020. To achieve this, the country aims to develop a competitive manufacturing sector, which should facilitate integration into global value chains (GVCs) and boost productivity; as well as a strong services sector to be supported by an enabling environment for private-sector-led growth, industrial competitiveness and sustainable development. To date the country has merged trade, industry and investment into one Ministry as part of the efforts to effectively coordinate and improve its trading and investment environment⁴.

South Africa⁵

Through the department of trade in industry (dti) in March 2016 launched its Integrated National Export Strategy (INES) which aims to help improve the global competitiveness of South African exporters and tap the export-led economic growth benefits that have flowed to other developing countries in recent decades. The strategy aims double exports of manufactured goods in 10 years and increase export of services to constitute 40% of total services supplied by 2030. Africa is one of South Africa's target markets.

Nigeria, with its large market provides an opportunity for South Africa to expand beyond the SADC region. Furthermore, with the right policies and strategies, South Africa can expand its export base to Africa which in 2016 accounted for 30% of global exports. Here Nigeria accounted for a mere 2% of South Africa's exports to Africa. Therefore, South Africa finds itself in a unique position where it can significantly benefit from a larger and integrated African community given the drive towards establishing a CFTA.

⁴ WTO, 2017. Trade Policy Review – Nigeria. [online]: https://www.wto.org/english/tratop_e/tpr_e/s356_sum_e.pdf

⁵ Note that this section is similar to sections in other bilaterals analysed for South Africa