

Economic importance of nigeria to west africa



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Indian strategy for development of ties with Nigeria was historically and ideologically aligned to principles of Non-Aligned Movement and the Spirit of Bandung and its global role was identified with championing the cause of anti-colonialism and anti-racism. Nigeria was considered a key ally in international for a because of the evolved relationship and also because of the large Indian Diaspora living in the Continent. However, the Cold War Polemics and the border dispute with China saw Africa's mixed reaction to the conflict and this forced New Delhi to realize that it did not have a strong ally it had hoped for...and therefore it actively worked towards countering Chinese penetration in Africa. Even during this turbulent phase Nigeria stood by India and actively endorsed the cause and concerns of India.

This situation led to increased material support to the liberation struggle in Southern Africa and also increased economic co-operation with the Indian communities playing a pivotal role in this expansion. Although, India's engagement with Nigeria became marginal during 1980's it saw a revival after India took towards the path of liberalization in the 1990's. Some analysts argue that this was a partial response to China's burgeoning relations with newly independent African states and the difficulties experienced in accessing markets across the continent and the need to develop leverage in India's renewed quest for world dominance. Yet the cause for this resurgence can be traced to changing world dynamics, economic upheavals and a rapidly growing economy.

Propelled by Economic liberalization in the 1990s, there was a paradigm shift in foreign policy thinking by India which emphasized that ' in the future new relationships based on concrete economic, technological and educational

cooperation will assume enhanced significance'. In Nigeria this was about reinventing and rejuvenating the old relationship and led to a confluence of interests around justice in the global order aimed at fighting against underdevelopment and poverty and finding export markets.

However, the overlap in China and India's economic footprints in Nigeria reflects similar interests and aims in exploiting Nigerian markets and resources. Although China reflects an embedded dominance, India too mirrors China's "quest for resources, business opportunities, diplomatic initiatives and strategic partnerships" globally and in Nigeria. Energy Security is an overriding priority, especially as India and China both are emerging economies and demand in the domestic markets has increased significantly. Also, both India and China are dependent on foreign markets for ensuring supply of crude and to guard against volatile oil prices, instability in oil rich regions and geopolitical uncertainties that fuel possible supply disruption these two nations are on a quest to diversify their energy sources with the aim of securing their lines of supply.

Under these circumstances, the ever increasing competition for markets and rapid rise of China's influence in the region has forced India to have a relook into its engagement with Africa with the aim of not only securing its ties with a key ally in West Africa but also to ensure energy security and rich market for sustained economic growth. In a bilateral negotiation ^[1] between Nigeria and India with the former being latter's largest trading partner in Africa, the potential for substantially enhancing trade and investment between the two countries are numerous and both sides stand to benefit from the relationship. Nigeria has a lot to gain from India's fast growing economy

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especially in fields of information and communication technology (ICT), agriculture, manufacturing and a large market for Nigeria's exports.

Mutually, India also stands to gain from Nigeria's vast natural reserve of hydrocarbons and a encouraging atmosphere for foreign direct investment.

The recent turmoil in the Middle East make it pertinent that India pursues bilateral relations with Nigeria with vigor given the fact that Nigeria has one of the strategically most important natural reserve that is, crude oil, which is of extreme importance for ensuring energy security and for securing economic growth and development. This also offers India an opportunity to tap into one of the largest markets in the African continent by way of increased exports and investments. Therefore, India needs to take earnest steps to cover the divide which separates Nigeria from India. Strategy to enhance trade and investment relations with Nigeria would entail an integrated approach comprising cooperation in agricultural development, development of manufacturing sector, natural resource development, cooperation in hotel and tourism industry, focus on IT development, human resource development especially for SME sector and cooperation in infrastructure.

Potential For Enhancing Trade in Commodities With Nigeria

There is a need for identification of certain potential commodities which need to be targeted to enhance India's exports to Nigeria. Certain criteria ^[2] which can be considered to identify the commodities which have export potential from India to Nigeria are as follows:

- (a) Criteria 1 – Identification of major items in Nigeria’s import basket, and share of India in each product line.
- (b) Criteria 2 – Commodities where India has a comparative advantage in global exports based on India’s share in global trade.
- (c) Criteria 3 – Commodities exported by India to the global markets that have registered high growth rates in the recent years.
- (d) Criteria 4 – Selection of potential items, based on relatively low share of India in Nigeria’s import basket of major commodities.

Based on the above criteria, potential items of India’s exports to Nigeria would include Mineral fuels, oils, distillation products, Machinery, boilers, Ships, boats and other floating structures, Animal, vegetable fats and oils, Miscellaneous chemical products, Sugars and sugar confectionery, Fish, crustaceans, molluscs, aquatic invertebrates, Essential oils, perfumes, cosmetics, toiletries and Optical, photo, technical, medical apparatus. An enhanced emphasis on dedicated targeting on export of these commodities will yield in a better trade balance as also new market for these goods.

Cooperation In Agriculture Sector Development

Agriculture and related activities still constitutes the bedrock of Nigeria’s economy and the nation is home good geographical conditions for agricultural growth. As a result, Nigerian government views that foreign investments in agriculture cultivation could lead to possible benefits for rural poor, including the creation of a potentially significant number of farm and off-farm jobs, development of rural infrastructure, and social improvements,

leading to food self sufficiency and poverty reduction. Indian companies can explore the possibilities of investments such as joint ventures or contract farming, setting up agro processing firms and investments in key stages of value chain. Indian investment could result in improving the agricultural sector of Nigeria through skill development, job creation, technological upgradation, supply of quality inputs like seed, better supply chain management, and biotechnology. India's transfer of knowledge/ technology could help Nigeria to deal with the problem of food crisis.

Investment in Nigeria

With FDI inflows touching US\$ 8.9 billion in 2011, Nigeria has come up as the largest investment destination among the West African countries. Four priority areas of development which can be identified are metal fabrication/ machine tools, metallurgical / engineering industries including industrial projects such as foundries, pharmaceuticals and chemical / petrochemical sector. Other sectors ^[3] suitable for investment are rubber & plastic, textiles & weaving apparel, cement, leather & leather products, agriculture-forest based and agro allied activities including food processing, sugar, confectioneries & beverages, cereal & grain milling, fruits, vegetables, vegetable oils, oil seeds, roots & tubers, other non-metallic material building materials, bricks, ceramic glass.

Development of Manufacturing Sector

For a holistic development and growth of Nigeria, development of manufacturing sector is very important. The dependence of Nigeria on primary commodity exports, combined with reliance on manufactured

imports has affected the growth of the region. Hence, development of a strong manufacturing sector is necessary for its development. At present, Nigeria's share in global manufacturing production and trade is very small. India can target this lacuna in the Nigerian production system and address it to our benefit by giving India a strong hold over not only the economic system but also this will facilitate in securing India's national interests in the region. India can play a major role in supporting Nigeria in creating productive capacity building by facilitating training programmes and technical cooperation. Indian companies can play a major role in this process by carrying out transfer of technical knowhow and technology in their ventures which is suitable for the conditions and needs of a developing nation. This could help Nigeria to enhance its competitiveness by building its human and physical capital as also help in furtherance of Indo- Nigeria relation by enhancing bilateral trade and economic activities which will assist in balancing trade imbalances in the region.

Focus On Information Technology (IT) Development And Knowledge Sharing

102. Development of electronic marketing technologies is critical for improvement and development of various sectors, but a major role in this sector is played by internet access and penetration rates which are still at a backward stage in Nigeria. India's strength and capability in the realm of Information Technology sector can be used by Indian IT firms to explore the opportunities in IT sector in Nigeria. Indian firms can focus on investing in subsidiaries or joint ventures in the areas of financial services, e-governance and e-education. Indian companies can also share their experience and excellence in providing services and software programmes for financial

institutions and banks in the region. For instance, Indian companies like NIIT and Aptech could expand their network of training centers in the region and facilitate the penetration of expertise in IT to create employment opportunities and provide healthcare to remote areas in the region, help industry and commerce, and promote education in remote areas thereby contributing to overall development in the region.

Cooperation In Infrastructure Development

Infrastructure development in Nigeria can prove to be an important area of bilateral cooperation. Investment in infrastructure development is of prime importance for Nigeria due to an increasing need for better infrastructural facilities, coupled with the endeavour for rapid economic growth and can prove to be a mutually rewarding area of bilateral cooperation. Lack of linkages among different modes of transportation, poorly equipped ports, ageing rail networks, declining air connectivity and inadequate access to all-season roads are key problems which Nigeria faces and these areas hold immense investment opportunities for India. Indian companies involved in infrastructure sector may explore business opportunities to not only meet the infrastructural requirements in Nigeria but also to contribute to the economic development in the country.

Assistance in Power Generation

Power generation and transmission is another area which holds potential for investment and cooperation. Energy deficit in Nigeria which is a direct result of irregular and limited investment is a serious challenge for the overall development of the nation as it has led to underdeveloped infrastructure.

Insufficient use of existing energy systems inspite of high potential for energy generation has resulted in limited generation of electricity. Other issues which have compounded the problem are lack of maintenance and rehabilitation and also general system losses of electricity which includes transmission and distribution losses. In light of these issues development of energy infrastructure is a priority area for government of Nigeria and India could support Nigeria by promoting the development of a regional energy market by linking the National energy grid and ensuring optimal distribution.

The recommendations listed in the chapter cover only a small patch of the vast canvas of unchartered areas which are available for exploration by the Indian business community. However, business ventures need to be facilitated by a strong and well orchestrated support framework which should be catered for by the government to including not only an all encompassing policy of development and growth but also of mutual support and cooperation so that even as India goes on its defined road to resurgence, Nigeria is not left exploited but treads along as a key ally and India's projection in West Africa.

CONCLUSION

This paper has examined the importance of Nigeria in West Africa as also the role played by geo- politics and economic turmoil which has led to a race amongst various nations towards Africa. Also, an attempt was made to understand the interests and requirements of China as it surges towards Nigeria in an all encompassing and synergized step to dominate the economic scene at Nigeria. Because, China and India's interests in the area

seem to collide making way for unwarranted competition and chaos, there was a need to understand the prevailing situation keeping in view India's requirements in the region as also the major problem of Energy security as both India and China vie for space in the region to secure their supply lines as also to protect their emerging economies from oil turbulence and volatility.

To comprehend the picture as also the scenarios which may emerge in the near future, the politico-diplomatic and socio-economic relations between Nigeria and India were covered. Among other commonalities, both nations share a common history of subjugation and intense struggle for freedom, and as such they have very strong grounds for bilateral interactions and also solid motivations to speak with one voice on international issues. Since the beginning of their relations, Nigeria and India have never been at loggerheads. Their relationship has instead been characterised by mutual friendship and understanding. Therefore, a case exists in point where in India can exploit these well established ties to not only better our national interests but also assist in development and growth of Nigeria.

Indeed, Indo-Nigeria relations can be developed into a mutually enriching and satisfying relationship as Nigeria's future relations will continue to be defined by its needs for India's pharmaceuticals, textiles, and energy resources in terms of technology and India requires resources like oil and gas to continue to boost its economy and technological development. Moreover, the most important aspects of co-operation between the two countries will continue to be economic relations in the areas of trade, consultancy and technical assistance. Enhanced Indian aid and investments in Nigeria in the <https://assignbuster.com/economic-importance-of-nigeria-to-west-africa/>

areas of pharmaceuticals, manufacturing, and textiles can help to mitigate the deficit that India currently experiences in its economic ties with Nigeria. India's booming ^[4] technological economy and its increasing demand for oil combined with Nigeria's untapped oil reserves and need for technology logically imply that their relations will continue to be mutually beneficial. In other words, because of the mutual "demands and supplies" between these two countries, the prospects of future relations between Nigeria and India are unavoidably assured.

[1] 'Bilateral Trade Talk between Nigeria and India: A Recipe' by Aliyu Shehu and Usman Rano

[2] West Africa: A Study Of India's Trade And Investment Potential By Export-Import Bank Of India

[3] West Africa: A Study Of India's Trade And Investment Potential By Export-Import Bank Of India, p182

[4] 'Nigeria-India Economic, Political and Socio-Cultural Relations: Critical Reflections for Continuous Mutual Co-Operation' by Sulaiman Balarabe Kura, p27