THE PROSPECTS FOR EXPANDING RUSSIA’S TRADE, INVESTMENT AND INFRASTRUCTURE COOPERATION WITH NIGERIA IN THE FACE OF INTERNATIONAL COMPETITION

Aleshin Kirill Andreevich, Cand. Sc. (Econ.), Senior Researcher

Institute for African Studies, Russian Academy of Sciences, Spiridonovka st., 30/1, Moscow, Russia, 123001; e-mail: kirill.aleshin@inafr.ru

Purpose: the author aims to determine the state of cooperation between Russia and Nigeria in the field of trade, investment and infrastructure in the context of international competition and to propose mechanisms for deepening ties. Discussion: the author offers an assessment of the level of relations, prospects and opportunities, difficulties in the interaction between the Russian Federation and Nigeria in the field of trade, investment and infrastructure. Results: the author concludes that Nigeria is one of the key and promising partners of Russia on the African continent. There is considerable potential for increasing export operations by Russian companies, deepening investment cooperation, and expanding ties in the field of infrastructure. The article contains a number of specific measures for speeding up the development of bilateral economic relations.

Keywords: Africa, Nigeria, Russia, foreign affairs, cooperation, international competition, economy, investment, export, import, trade, infrastructure.

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1. Introduction

Despite the rather actively developing national economy, Nigeria is in constant search of new opportunities, strategic allies for the development of trade, as well as investment cooperation and implementation of projects in areas such as infrastructure construction, including energy and transport, as well as healthcare, petrochemicals, etc.

In this context, the government relies not only on time-tested partners, but
also on countries that have significant economic, foreign trade and investment potential, one of which is the Russian Federation [2, 10].

2. Discussion

2.1 Trade and economic cooperation

In 2018, the total trade turnover of Nigeria with third countries amounted to USD 89.4 billion. The key economic partners were: India (trade turnover amounted to USD 10.3 billion), the Netherlands (USD 9.9 billion), Spain (USD 6.0 billion), the United States (USD 5.9 billion), France (USD 5.2 billion), South Africa (USD 3.8 billion), Indonesia (USD 2.5 billion), the United Kingdom (USD 2.9 billion), Brazil (USD 2.4 billion), Italy (USD 2.3 billion), Sweden (USD 2.1 billion) [13].

At the same time, in terms of such an indicator as imports, which has a greater impact on Russia’s current and planned activities in Nigeria, the major counterparts were: China (USD 7.1 billion), the Netherlands (USD 4.2 billion), the Republic of Korea (USD 4.0 billion), Belgium (USD 3.1 billion), the United States (USD 2.7 billion), India (USD 1.9 billion), France (USD 1.1 billion), Germany (USD 1.0 billion).

It is important to note that the data indicate a decline in exports to Nigeria from most of the countries listed above in 2018 compared with 2014, in particular from: China (– USD 2.7 billion), Belgium (– USD 0.2 billion), USA (– USD 1.9 billion), India (– USD 0.8 billion), France (– USD 0.1 billion), Germany (– USD 0.7 billion).

Overall, out of 30 main suppliers of products to the Federal Republic of Nigeria for the indicated period, only the following countries increased their export volumes: the Netherlands, Korea, as well as Malaysia, KSA and Morocco, while the Russian Federation showed the largest increase in absolute terms from the list of states, which can be characterized so far as «non-core» partners. That indicates the growing interest and increasing activity of new actors in Nigeria, primarily from the Asian countries and the Russian Federation [14]. We may assume, that they will gradually substitute the current key suppliers.

In 2018, trade turnover between Russia and Nigeria reached USD 861.5 million (634.9 in 2017, 408.8 in 2016). Such dynamics is due to a significant increase in Russian exports of wheat and meslin (HS Code 1001), petroleum oils and oils obtained from bituminous minerals (HS Code 2710), which account for about 83% (or USD 711.6 million). There is also a sales growth of frozen fish (HS Code 0303) and parts of aircraft, spacecraft, etc. (HS Code 8803). The exports of these goods amounted to USD 65.9 million and USD 12.4 million, respectively [4].

In 2018, a significant share of exports to Nigeria fell on: Moscow (51.0%), Krasnodar Krai (22.0%), Rostov Oblast (10.2%) and Samara Oblast (7.4%) [15]. Thus, the number of regions selling their products on the Nigerian market is limited.

As for the export of products from Nigeria to Russia, its volumes are steadily declining and are already almost close to zero [3].
According to our estimates, based on statistics and calculations, in 2017, the potential of the Nigerian market for products, which are already sold here by Russian companies, is: USD 6.2 billion (petroleum products), USD 1.3 billion (wheat), USD 718.1 million (cars), USD 574.9 million (granite, sandstone and other building stone), USD 571.0 million (sugar), USD 570.0 million (frozen fish), USD 466.9 million (shut-off valves), USD 421.0 million (concentrated milk and cream), USD 364.6 million (telephones and communication equipment), USD 352.1 million (polyethylene flax). Thus, only these 10 nomenclature items listed above can potentially provide an increase in Russian exports to Nigeria in the amount of USD 11.5 billion (calculated by the author based on: [15]).

At the same time, Nigeria applies restrictive measures against Russian goods, which prevent an increase in trade between the two countries. Thus, as of July 1, 2019, the Nigerian authorities imposed a ban on imports, in particular, in regard to: food products (poultry and poultry meat, sugar and sucrose, beef, butter and fats, fruit juice and soft drinks, etc.); a number of industrial goods and pharmaceutical products (cement in the package, drugs falling under the HS Codes 3003 and 3004, pharmaceutical industry waste, etc.). There are also technical barriers to the import of agricultural machinery into the country. In addition, the Nigerian side is considering the introduction of restrictive measures on wheat and rice [16]. And, as mentioned above, wheat, in particular, is one of the key export goods of the Russian Federation to Nigeria with extremely high growth potential. Such actions by a friendly country cause some concern, especially in the context of growing bilateral economic ties.

2.1 Investment cooperation

In recent years, Russian-Nigerian investment cooperation has been developing quite actively. The major Russian investors in Nigeria are RUSAL, LUKOIL Group and Gazprom. According to experts, today the total Russian investment in the country is estimated at USD 300-450 million. LUKOIL expects to increase the volume of capital expenditures to USD 6 billion. Other domestic enterprises are also penetrating into the Nigerian market or expanding their presence, one of which is the manufacturer of agricultural machines Rostselmash [11, 23].

URALKALI is also interested in deepening investment ties. This structure provides feasible support to other representatives of the Russian business community. For this, in particular, D.V. Osipov, the Chief Executive Officer of URALKALI, acts as the Chairman of the Russian part of Russia-Nigeria Business Council [7]. One of the recent initiatives of the Council was a business mission of Russian small and medium-sized businesses to Nigeria, which took place in May 2019. A total of 14 representatives of domestic enterprises visited Abuja and Lagos, where they had an opportunity to hold meetings with 100 Nigerian companies. Among the results of the visit, the organizers outline, the agreements, that were reached, on cooperation in the field of agriculture and infrastructure construction (energy, port and airport facilities) [6].
The Ministry of Foreign Affairs of Russia, in turn, includes more than 10 other largest domestic firms, which demonstrate the interest to the Nigerian market, among them: Russian Helicopters, United Aircraft Corporation, Concern Tractor Plants, United Wagon Company, KAMAZ Group of Companies, Technopromexport, ROSGEO, etc. [18].

The Intergovernmental Russian-Nigerian Mixed Commission on Economic, Scientific and Technical Cooperation is intended to support the development of trade and investment ties. In accordance with the Trade Agreement between the two Governments, the gathering of the Commission should take place every two years, however, the last meeting was held at the end of 2016 [22]. It is important to note that the post of the Chairman of the Russian part of the Commission is currently vacant [20]. In our view, these both unresolved issues may be characterized as certain obstacles to the expansion of bilateral economic ties.

Another serious problem is the lack of a valid Agreement between Russia and Nigeria on mutual encouragement and protection of investment, which was signed back in 2009 [19]. Thus, investors from the two countries do not yet possess the means to protect their rights in connection with their activities.

2.3. Cooperation in the field of infrastructure

Nigeria for a long time has attached particular importance to the development of infrastructure (along with the formation of a favorable political environment), which in particular is reflected in the Country Strategy for the period from 2013 to 2017. The same document notes a significant shortage of industry facilities, which negatively affects the development of national economy [1].

World practice proves the fundamental importance and influence of industrial infrastructure on economic growth [12]. It is worth mentioning, that RUSAL owns 85% of shares of the Nigerian aluminum producer, which in 2013 temporarily ceased operations due to interruptions in gas supply to the enterprise [17]. That is a good example of how infrastructure affects business and the national economic development.

Currently, the stock value of Nigeria’s infrastructure (in particular, roads and railways, energy, airport and port facilities, ICT, water management) is estimated by experts in 35% of the country’s GDP (for comparison, in South Africa – 87%, and in developing countries – about 70%) [8]. At the same time, in recent years there has been an active construction of industry facilities, which is facilitated by the influx of investments. Thus, in 2007-2015, Nigeria’s share in the total amount of FDIs received by all African countries for the development of solar energy generation amounted to 35% (in absolute figures – USD 5.1 billion, which is the highest indicator on the continent) [21].

For the progressive development of the country’s economy, substantial amounts of further investment are required in such infrastructure sectors as: energy, telecommunications, transport and water management.
Table 1

The need for investment in various sectors of the Nigerian economy in 2018-2023, USD billion

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>7,9</td>
<td>9,2</td>
</tr>
<tr>
<td>Telecom</td>
<td>4,1</td>
<td>4,7</td>
</tr>
<tr>
<td>Transport</td>
<td>12,2</td>
<td>13,9</td>
</tr>
<tr>
<td>Water management</td>
<td>2,6</td>
<td>3,0</td>
</tr>
</tbody>
</table>

Reference: [9]

As follows from the above table, the demand for capital in critical sectors of the production infrastructure will increase. If in 2018 Nigerians needed to invest USD 26.8 billion for the dynamic development of the economy, in 2023 the needs of the four sectors under consideration will reach USD 30.8 billion.

It is obvious that Nigeria lacks both the funds, the specialists and technologies that can be used for the construction of new infrastructure facilities. With this in mind, the Nigerian side is looking for investors and seeks to increase the number of potential contractors. This opens up new opportunities for Russian business.

It should be noted with satisfaction that domestic companies have carried out full-scale work in the field of infrastructure construction in Nigeria, in particular in the field of gas transportation and to a lesser degree the nuclear energy. To date, there is a progressing cooperation of Gazprom and the Nigerian National Petroleum Corporation in the field of gasification of a number of regions of Nigeria and development of gas storage facilities. As for the energy, an Intergovernmental Agreement in the field of nuclear energy has been signed, a Roadmap for the implementation of the construction of nuclear power plant has been approved, the Agreement on the establishment of a specialized research center in the territory of the African country has been reached. On the Russian side, the State Atomic Energy Corporation ROSATOM is the project operator [18].

Promising areas for Russian business, interested in participation in infrastructure projects in the territory of the African country, include energy, road construction, railway communication, information technology, capital and housing construction [5].

3. Conclusion

It is obvious that the African continent in general and Nigeria in particular are becoming increasingly important as a promising trading partner, a place for investment and implementation of large projects, in particular in the field of infrastructure. The struggle for this market is led by «old» actors and actively developing countries, which are in search of new markets for products and high returns on invested capital.

In our opinion, in order to realize the potential of economic cooperation
(increase in trade turnover, development of investment flows, participation in projects), Russia first of all needs:

- to consider the needs of the Nigerian partners and the capabilities of the Russian business in the development of conceptual documents («Foreign Economic Strategy of the Russian Federation», foreign investment strategy, etc.).
- to take into account: (1) in the field of trade – the available potential increase in exports of oil products, agricultural products, motor vehicles, building materials and other goods; (2) in the investment sphere – the necessity to provide political and diplomatic support to start or continue the implementation of major projects, to focus on the introduction of the Agreement on the Promotion and Protection of Investments; (3) in the infrastructure area, which is one of the most promising for both the Russian and the Nigerian side, – the possibility of participation in the construction of roads, railways, energy facilities, etc.
- to speed up the appointment of the Chairman of the Russian part of the Intergovernmental Commission, holding a meeting of co-chairs, and then a meeting of the Commission this year.
- to proactively prepare proposals for the setup of a Trade representation of Russia in Nigeria.
- to ensure the early lifting of the existing restrictive measures on the import of Russian goods to Nigeria and prevent the introduction of new ones.
- to involve a greater number of SMEs from the regions of Russia in trade and investment relations, including through the Export Support Centers.
- to implement humanitarian (by the Government of Russia) and corporate social projects (by Russian business structures) to encourage investment activities.
- to form the Russia-Nigeria Parliamentary Group to support economic projects by the legislative bodies of the two countries.
- to include representatives of the expert community in the consultative structures under the Ministry of Industry and Trade of Russia to develop recommendations on the topic of expanding cooperation.

It can be asserted with certainty that, if these measures are implemented, the Russian Federation will occupy a worthy place in this strategically important African market.

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ПЕРСПЕКТИВЫ РАСШИРЕНИЯ СОТРУДНИЧЕСТВА РОССИИ С НИГЕРИЕЙ В ОБЛАСТИ ТОРГОВЛИ, ИНВЕСТИЦИЙ, ИНФРАСТРУКТУРЫ В УСЛОВИЯХ МЕЖДУНАРОДНОЙ КОНКУРЕНЦИИ

Алешин Кирилл Андреевич, канд. экон. наук, ст. науч. сотр.
Институт Африки Российской академии наук, ул. Спиридоновка, 30/1, Москва, Россия, 123001; e-mail: kirill.aleshin@inafr.ru

Цель: автор ставит цель определить состояние сотрудничества России с Нигерией в области торговли, инвестиций и инфраструктуры в условиях международной конкуренции и предложить механизмы для углубления связей. Обсуждение: автор предлагает оценку текущего состояния, перспектив и возможностей, трудностей во взаимоотношениях между Российской Федерацией и Нигерией в области торговли, инвестиций и инфраструктуры. Результаты: автор приходит к выводу, что Нигерия является одним из ключевых и перспективных партнеров России на Африканском континенте. Имеется значительный потенциал для увеличения экспортных операций со стороны российских компаний, углубления инвестиционного сотрудничества, расширения связей в области инфраструктуры. Предложен ряд конкретных мер для форсирования развития двусторонних экономических отношений.

Ключевые слова: Нигерия, внешнеэкономические связи, внешнеэкономическая деятельность, торговля, инвестиции, инфраструктура, стратегия, Африка.

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