Investment Opportunities in West Africa: Perspective on the Nigerian Maritime Sector

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Abstract

West African sub-region consists of 16 countries out of which three are landlocked and 13 are coastal states with a total of 16,663 km of navigable rivers and inland waterways. Inland waterways and the stretches of coastlines are used for both domestic and sub-regional movements of goods and passengers. The coastal states of West Africa are relatively equipped with seaports, cargo handling equipment, private and public maritime education and training institutions with the main seaports in Nigeria, for example, concessional to foreign operators. Maritime trade in West Africa is dominated by foreigners from Western countries with indigenous entrepreneurs trailing far behind due to lack of finance capital. Agreements under bilateral and multilateral platforms are largely unconcluded and those that were concluded have remained passive. It has been observed that trade between West Africa and most Islamic Countries is very low.

This Paper therefore seeks to raise the consciousness of West African Countries and Selected Islamic Countries about the patterns of trade existing between them and its maritime implications. It is also intended to encourage government officials to fast-track Bilateral Agreements between them, utilise the existing multilateral platforms to promote trade and investments as well as to facilitate private sector networking as a starting point for sustained business relationships.

The Paper used a sample of 54 countries comprising 16 each from West Africa, Selected Islamic Countries and Non-Islamic Countries. Data obtained from the World Fact book published by the Central Intelligence Agency was used to examine the pattern of trade existing between them while bringing out investment opportunities available in the Nigerian maritime sector.

Keywords: West Africa, Nigeria, Trade, Investments, Maritime Sector, Islamic countries, Trading partners.

Introduction

The West African Subregion consists of 16 countries including Benin, Burkina Faso, Cape Verde, Côte D’Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo. Whereas Burkina Faso, Mali and Niger are landlocked countries, the rest are coastal States with a total of 16,663 KM of navigable rivers and other
inland waterways. However, the period of navigability of rivers and lakes is often limited to the rainy season. Longer dry season or low rainfall shortens the navigable periods. Inland waterways and the stretches of coastlines are used for both domestic and subregional movements of goods and passengers.

The coastal States of West Africa are relatively equipped with seaports, cargo handling equipment as well as private and public maritime education and training institutions with the main seaports in Nigeria, for example, being operated by big international operators. Although the actual ship-port turnaround is about seven days in most West African seaports, Governments are encouraging officials and the operators to attain the 72 hours target time frame. This is expected to be achieved through drastic reduction in delays and corruption as well as attracting investment in infrastructure thereby reducing the costs of goods and services.

The Problem

Maritime trade in West Africa is dominated by foreigners who owned most of the ships operating in both coastal trade and international cargo affreightments. Local entrepreneurs are willing to participate but they are constrained by lack of capital. Agreements under the bilateral and multilateral platforms are largely un-concluded and those that were concluded have remained passive rather than active to serve as avenues for mutual investment benefits.

Methodology

This Paper relies largely on data obtained from the World Factbook published by the Central Intelligence Agency (CIA) to examine the pattern of trade between West African countries and Selected Islamic and Non-Islamic countries. A total of 16 countries were randomly selected for each group of Islamic and Non-Islamic countries. The Islamic Countries selected include Bangladesh, Indonesia, Iran, Iraq, Jordan, Kuwait, Lebanon, Malaysia, Oman, Pakistan, Qatar, Saudi Arabia, Spain, Syria, Turkey and United Arab Emirate (UAE). On the other hand, the selected Non-Islamic Countries were Belgium, Canada, China, France, Germany, Greece, Italy, Japan, Norway, Portugal, Russia, Singapore, South Korea, Sweden, United Kingdom (UK) and United States of America (USA).

This study therefore analyses the trade relations that existed between 48 countries in 2009. The Paper also examines the merchant marines of the 48 countries, which were obtained from the CIA. It analyses the number of ships owned by each country and where they are registered as at the end of 2010. The Paper then evaluates the inter-registry pattern existing between West African Countries (WAC), Selected Islamic Countries (SIC) and the selected Non-Islamic Countries (NIC). However, the focus of the Paper remains the investment opportunities in WAC for the SIC with emphasis on the Nigerian Maritime Sector.
Objectives

The primary objective of this Paper is to raise the consciousness of the West African Countries and the Selected Islamic Countries on the patterns of trade existing between them in order to bring out its maritime implications. Moreover, the Paper is expected to encourage Government officials to fast track Bilateral Agreements between them and utilise the existing multilateral platforms to promote trade, investment and economic growth and development. This Paper can also lead to stakeholders networking which can act as a starting point for sustained business relationships.

Literature Review

Akukwe (2006) observes that the development needs of Africa are a major concern of the global community since the beginning of the new millennium with organised efforts to jump-start the development reaching a crescendo. He however asserts that remedial efforts at the domestic, regional and international levels are likely to remain hampered by financial, technical, logistics, political and governance bottlenecks. He therefore suggests that these challenges would be surmounted through sustained policy and program attention by major Africa’s development stakeholders including bilateral and multilateral development partners, the organised private sector, the professional and service delivery organizations as well as the private foundations that finance major global alliances.

A United Nation Development Programme (UNDP) study in 2003 on the Millennium Development Goal (MDG) in the West African subregion indicates that 100 million people accounting for 44 per cent of the total population of 230 million live in severe poverty, surviving on less than US$1 a day and that by 2015, the region’s population will reach 300 million, which magnifies the challenge of reducing poverty by half. In response to the sorry situation however in July 2001, African leaders initiated the New Partnership for Africa’s Development (NEPAD) at the 37th Session of the Organization of African Union (OAU) in Lusaka, Zambia, in order to integrate the Subregion into the global economy and attract large investments into key sectors. Jannneh (2006), debunks the argument that African governments are instinctively opposed to the private sector and that the private sector is always a force for good while fewer regulations enhance their contribution to economic development. Sheppard (2009), reports that the Infrastructure Consortium for Africa (ICA) identifies costly borrowing, slow-down in private capital flows into Africa, as well as remittances from the African Diaspora as the constraint for infrastructural development in Africa.

The World Bank Group Action Plan (WBGAP) for Africa prepared in 2005 states that partnerships at the country, regional and global levels, greater country and sector selectivity in the design and targeting of interventions policies, better harmonization and alignment of development partners’ actions to support country-led strategies and the establishment of sound monitoring and evaluation systems are all needed to ensure development in Africa. The WBGAP also notes that a related challenge for the international community is to help Africa to
overcome the misperception that it has a wholly inhospitable investment climate and to provide information about attractive foreign investment opportunities.

The WBGAP further highlights that Africa has remain a high-cost continent including; high regulatory cost, unsecured land property rights, inadequate and high cost infrastructure, ineffective judiciary systems and also a high-risk place to do business. It estimates the cost of doing business in Africa to be between 20-40 percent above that for other developing regions. Nevertheless, the WBGAP calls on the development community to address the special needs of African enterprises which are largely private sector’s Micro, Small and Medium Enterprises (MSMEs).

Pattern of Trade

The 16 WAC have a total population of 297,856,713 out of which 60 percent are Muslims, labour force of 35 percent, average unemployment rate of 40 percent, average per capita income of US$1,896 with 48.3 percent below the poverty line. Comparatively, the SIC have a combined population of 910,838,255 out of which 74 percent are Muslims and 19.4 percent below poverty line, 40 percent of labour force, 9.7 percent average unemployment and US$24,250 per capita income.

Oil production and natural gas production by WAC was 2,293,570 barrels/day and 34.170 billion (cu. m) respectively while SIC respectively produced 25,918,183 barrels/day and 634.717 billion (cu. m) in 2009. Whereas total imports and exports by WAC in 2009 stood at US$75.727 billion and US$107.345 billion respectively, imports and exports by the SIC were worth US$1,272.500 billion and US$1,504.550 billion respectively. China, USA, France and Singapore were common import sources for both WAC and SIC. On the other hand, China, USA, France, Singapore, Germany and Italy were the common export destinations. However, India, Belgium, Portugal, Netherlands, UK, Spain, Nigeria, Poland, Thailand, Mali and Ghana were also major export destinations of WAC. The additional WAC export destinations largely contrast with that of the SIC which were Japan, Iraq, South Korea, Switzerland and Lebanon. Other major import sources for the SIC include India, UAE, Turkey, Syria, Saudi Arabia, Japan, Italy, Germany and Russia while additional major imports sources for the WAC were Cote D’Ivoire, Portugal, Netherlands, Nigeria, Senegal, South Korea, UK and South Africa.

Table I: Import Sources for West Africa and Selected Islamic Countries in 2009

<table>
<thead>
<tr>
<th>Group</th>
<th>Trading Partners</th>
<th>W/Africa</th>
<th>Africa</th>
<th>Islamic Countries</th>
<th>NIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Africa</td>
<td></td>
<td>17.22%</td>
<td>1.57%</td>
<td>5.36%</td>
<td>44.87%</td>
</tr>
<tr>
<td>Selected Countries</td>
<td>Islamic Countries</td>
<td>Nil</td>
<td>1.52%</td>
<td>16.38%</td>
<td>44.81%</td>
</tr>
</tbody>
</table>

Source: Computed by the Author from Central Intelligence Agency World Factbook.
From Table I, we can see that West African intra-imports in 2009 was 17.22 percent while imports from SIC was 5.36 percent as against zero recorded imports from WAC by SIC and 16.38 percent of intra-imports. Incidentally, total imports from NIC were over 44 percent each by WAC and SIC. Similarly, imports from other African countries by both WAC and SIC were less than 2 percent of their respective imports during the period.

Table II: Export Destinations for West Africa and Selected Islamic Countries in 2009

<table>
<thead>
<tr>
<th>Group</th>
<th>Trading Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>W/Africa</td>
</tr>
<tr>
<td>West Africa</td>
<td>18.94%</td>
</tr>
<tr>
<td>Selected Countries</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Source: Computed by the Author from Central Intelligence Agency World Fact book.

Exports within West Africa by WAC were 18.94 percent of the total exports by the Sub-region which was similar to 18.6 percent of intra-exports by SIC. Whereas Table II shows that 13.77 percent of WAC total exports was to the SIC, there was no record of exports to WAC by the SIC. However, average exports by WAC to NIC were 4.34 percent more than exports by the SIC. Ironically, whilst Table II shows exports of 13.77 to SIC by the WAC, records from the SIC imports in Table I shows zero transaction with WAC. This position may be statistically incorrect because at least larger quantities of textiles were imported from Indonesia and Malaysia by Nigerians during the same period.

The implication of the foregoing trade pattern to the maritime industry is that, there is little or no cargo to be moved by sea between the two Groups of countries.

**Merchant Marine**

Every ship is registered by the owner either in his country’s registry or in a ship registry of another country. One of the major obligations of a ship to her registry is to fly the flag of the country of registration. The origins of flags obviously have an ancient history. Flags came to symbolise various leaders, communities, Gods, merchant and craft guilds, ships and towns. Consequently, a flag often gains the same respect as accorded to the person.

Flags are considered important at sea and the rules and regulations for the flying of flags are strictly enforced. The flag flown by a ship is related to the country of her registration. A national flag flown at sea is known as ensign. Ensigns are required to be flown by a ship at least when entering and leaving harbours, when sailing through foreign waters and, when the ship issignalled to do so by a warship.
Although most shipowners register their ships away from their national register in order to avoid high taxes, fees and strict regulations for standards at home, they end up boosting the tonnage of the foreign registry as well as create wealth and job opportunities there. By registering elsewhere, shipowners deny income and infrastructural development at home, adversely affects the pattern of their international trade, reduce flag and port state activities and the development of maritime education and training institutions in their countries. Registration of ships especially away from home and countries of trading partners tend to complicate diplomatic issues in times of emergencies apart from reducing the international prestige of the shipowners’ country.

Table III: Distribution of Merchant Marine in WAC, SIC and NIC as at 2010

<table>
<thead>
<tr>
<th>Group</th>
<th>National Flag</th>
<th></th>
<th></th>
<th>Foreign Flags</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Citizens</td>
<td>WAC</td>
<td>SIC</td>
<td>Others</td>
<td>WAC</td>
<td>SIC</td>
</tr>
<tr>
<td>West Africa</td>
<td>2,855</td>
<td>4</td>
<td>131</td>
<td>2,344</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Islamic Countries</td>
<td>2,761</td>
<td>1</td>
<td>44</td>
<td>135</td>
<td>154</td>
<td>55</td>
</tr>
<tr>
<td>Non-Islamic States</td>
<td>10,278</td>
<td>1</td>
<td>204</td>
<td>1,685</td>
<td>1,978</td>
<td>114</td>
</tr>
</tbody>
</table>

Source: Compiled by the Author from Central Intelligence Agency World Factbook.

However, shipowners who desire to participate in the domestic water transport of trading partners as well as in export cargo affreightments could take advantage of ship registration in those countries. The pattern of trade between countries also influences the number of ships registered in their ship registries by trading partners. Table III shows the distribution of merchant marines in the countries of case study for this Paper.

From Table III, we can see that because of low level of trade between WAC and the SIC, only 131 ships were registered in WAC by ship owners of the SIC as against 1,531 ships registered by them in NIC. A lower intra-trade also explains the registration of 55 ships within SIC registries. Similarly, only one ship was registered in SIC by the WAC and another four ships in intra-registries.

Comparatively, because of high level of trade between NIC, 12,256 ships were registered in intra-registries as against 114 ships registered in SIC. However, the 1,978 ships registered in WAC by the NIC could be explained by the existence of the Flag of Convenience (FOC) registry in Liberia. An FOC vessel is a ship registered under the maritime laws of a country which is not the home country of the ship’s owners because, the country of registry offers low tax rates, cheap registration fees, freedom to employ cheap labour and maintain ships at self established standards. This is despite the fact that a ship’s flag state is expected to exercise regulatory control over the vessel and is required to inspect it regularly, certify the ship’s equipment and crew, and also issue safety and pollution prevention documents.
Nigerian Maritime Sector

The Nigerian maritime sector may be divided into shipping services, port services, shipbuilding and repairs as well as maritime education and training subsectors. The sector can also be categorised into inland and coastal trade, and ocean trade segments. Further segmentation is to look at the Nigerian maritime sector from the regulatory and operational view points.

Whereas the Nigerian Maritime Administration and Safety Agency (NIMASA) regulates both the ocean and domestic shipping services including the enforcement of Flag and Port State controls, marine environmental matters, seafarers certification, infrastructure and manpower capacity building, the Nigerian Ports Authority (NPA) regulates the port sector. The powers of NIMASA are drawn from the NIMASA Act 2007 as well as from the Cabotage Act 2003 to regulate shipping and implement the provisions of the Merchant Shipping Act (MSA) 2007.

The Nigerian maritime sector is indeed a big industry which facilitates the operations of other sectors in the Nigerian economy including the oil industry. Between 2006 and 2009, the sector has handled a total of 126,846,707.20 metric tons of major dry cargo imports namely cement, sugar, wheat, salt, rice and fertilizer. The sector also handled imports of 251,217,235.97 metric tons of AGO, PMS, Jet A1, Kerosene, Tallow and other chemicals during the same period. There were also crude oil exports of over 300 million metric tons during 2006 to 2009.

On the other hand, training of Cadets takes place at the Maritime Academy of Nigeria (MAN) at Oron. Despite the complementary efforts of the Nigerian Institute of Oceanography and Marine Research and few private institutions, the combined capacity for maritime education and training is far below the national demand. Furthermore, because of inadequate number of ships in the country, only few Cadets have the opportunity for sea time experience.

Similarly, the undeveloped shipbuilding and repairs subsector does not have the capacity to carry out repairs on ocean-going vessels. As a result, ships had to be allowed to sail to go to other countries to undertake necessary repairs identified after flag state and port state surveys. Most of the coastal ships cannot also be maintained in Nigeria because of inadequate ship repair facilities.

Bilateral and Multilateral Agreements

Trade agreements are either bilateral which involves only two countries or multilateral that involves more than two countries. In both types of agreements, the aim is primarily to lower trade barriers between the participating countries. However, many countries are ready to accept rules and trade areas at the bilateral level but may not be prepared to do so at the multilateral level. This happens generally because bilateral negotiations are quicker to conclude which makes them more attractive to politicians, government officials and the business communities who want to see quick results.
However, Nigeria has not signed merchant shipping agreement with any country so far. Whereas Joint Commission has been established between Nigeria and some SIC with 4th Session held in one or two cases, negotiations are still on-going. In 2010 for example, there was expression of interest to invest in the port industry of Nigeria from Saudi Arabia. There were also attempts to hold Joint Commission meetings in Jakarta and Tehran while negotiation with Turkey is at the concluding stage.

The platform of the Developing Eight countries (D-8) which is a multilateral forum is expected to promote trade and investments among Member-countries. Bangladesh, Indonesia, Iran, Malaysia, Pakistan and Turkey amongst the SIC and Nigeria from the WAC are seven out of the eight Member-countries. But it is obvious that the D-8 is yet to make its impact looking at the trade between the two groups of countries examined in this Paper. The commitment reaffirmed by the Heads of State and Government in the “Abuja Declaration 2010” after the 7th D-8 Summit in July to pursue investment cooperation among D-8 Member-countries and encourage, facilitate and promote Foreign Direct Investment (FDI) is not being pursued with vigour.

While Nigeria hosted the D-8 Shipping Forum on 9 – 10 November, 2010 with a view to explore the means of expanding D-8 intra-trade, Member-countries have remained silent on the issue of establishing D-8 Joint Investment Fund that was proposed by Iran during the Summit. Meanwhile, there are a number of intra-Joint Investment Funds in SIC as well as between the SIC and some NIC. In 2010, there was the Qatar-Indonesia JIF of US$1 billion for the development of infrastructure and the Qatar-Jordan JIF of another US$1 billion provided by Qatar while Jordan was to provide the land for the investment projects. Similar JIF was established in 2008 between Qatar and UEA apart from the Malaysia-Saudi Arabia JIF of US$2.5 billion established in 2009.

Joint Investment Fund established between SIC and NIC include the Iran-Venezuela JIF, the Saudi Arabia-India JIF of US$750 million and the Oman-India JIF of US$100 million established in 2008 which is to gradually increase to US$1.5 billion target.

**Investment Opportunities in Nigerian Maritime Sector**

In general, Nigerian investment environment is attractive for genuine investors. In consultation with the appropriate Government agencies, the Nigerian Investment Promotion Commission (NIPC) is empowered to negotiate sector-specific incentives packages. Investors are also free to transfer funds in form of dividend or profits, payment for loan servicing and remittance of after tax proceeds and other obligations in the event of sale or liquidation of part or complete interest attributable to the investment through authorised dealers. Investors are protected against nationalisation or expropriation by any Government. Moreover, investors will not be compelled to surrender their interest in the investment at any point in time.

On the other hand, participation in the inland and coastal trade to provide shipping services requires the ship to be built in Nigeria, owned by Nigerians, crewed by Nigerians and registered
in the Nigerian special Cabotage register. However, full waiver could be granted on building while partial waivers may be granted on wholly owned and wholly manned conditions. The waiver provisions therefore create opportunities for Maritime Joint Ventures (MJV) and to complement crew where Nigerians are not readily available.

Also, there is the opportunity for Nigerians to participate in crude oil transportation to various world destinations if the wherewithal exists; the wherewithal here being the tankers. It follows therefore that foreign shipowners may enter into Joint Ventures (JV) with Nigerian maritime entrepreneurs and seize the opportunity of crude oil carriage. Thus, investment opportunities in the Nigerian maritime sector include the following:

1. Maritime Joint Venture for liner services for both imports and exports of wet and dry cargoes.
2. Inland and coastal shipping trade for cargoes, passengers and supply services by registering ships in Nigeria.
3. Marine environmental management including pollution control in oil producing regions and coastal areas, establishment of port reception facilities, weed clearing, etc.
4. Shipbuilding, repairs, wreck removal, ship recycling and rehabilitation of dockyards, supply of communication and other marine equipment as well as the revitalisation of steel companies in the country in order to provide steel needed by shipyards and by extension the automobile and construction industries.
5. Maritime education, training, research, consultancy services, establishment of trade centres and publications.
6. Sea and river ports development, construction of terminals and jetties, river dredging, construction of Inland Container Depots (ICDs) and Cargo Consolidation Centres (CCC).
7. Ship financing, marine insurance, ship management, maritime law services, etc.

Emerging Challenges and Recommendations

The key challenges facing the International Islamic Chamber of Commerce & Industry (IICCI) and the possible strategy to address them include the following:

1. Low flow of merchandise: There is immediate need to penetrate West African markets particularly that of Nigeria in order to increase exports of bulk cargoes like rice, wheat, sugar, fertilizer, salt and refined petroleum products. This calls for speedy conclusion of bilateral negotiations.
2. The Need to Reflag: Members of the IICCI should also reflag their ships to Nigerian registry so as to move cargoes originating from their respective countries and regions. They should quickly establish Joint Venture Arrangements in order to seize the opportunities to participate in both coastal and ocean shipping trade in the country.
3. Inadequate Training Institutions: Reflagging and increase in ship traffic require more seafarers and surveyors. There is therefore the need to establish more training institutions to provide additional manpower in Nigeria.
4. Dockyards: Increase in ship traffic obviously lead to increase in demand for ship repairs. Members of the IICCI like Jordan, Qatar, Saudi Arabia, Spain, Turkey and UAE may consider leasing arrangement with the existing dockyards for immediate impact.

5. Marine Pollution: Marine environmental pollution is the major cause of militancy in the Niger Delta region. Oil exporting members of the IICCI that have expertise in marine pollution control and management can establish companies to provide cleaning services by which they can prevent attacks on ships by militants.

Conclusion

Trade between West Africa and most Islamic countries is very low in spite of efforts being made through bilateral negotiations and multilateral platform. This explains the absence of shipping services which would have been provided by vessels of shipowners of the two groups of countries.

Large investment opportunities are available in the Nigerian maritime sector for investors from Islamic countries while the establishment of a Joint Investment Fund is necessary for medium and long term sustained investments in West Africa and Nigeria in particular. Apparently, investment opportunities also create challenges for infrastructural development and training which when properly addressed will reduce the percentage of unemployment which is more than 40 percent in West Africa and 9.4 percent in the Selected Islamic Countries. It will also help to raise the average capita income of their respective countries.

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