

Assessment of the economic, structural and environmental impacts of the African Continental Free Trade Area (AfCFTA) on Nigerian Economy

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Outline of the Presentation

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- Objectives
- Method and Data
- Potential scenarios
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Motivations

- Several studies on the economic impacts of the AfCFTA have focused more on the macroeconomic effects
- Limited emphasis on the sectoral and structural effects.
 - Key sectors like agriculture are sensitive to trade policy shocks (Deep Ford, dell'Aquila, and Conforti, 2007; NESG, 2019c; Ferrari, Chatzopoulos, Perez Dominguez, Boulanger, et al., 2021).
 - The agriculture sector in Nigeria is a major employer of labour (especially rural women), and is critical to the government's goal of achieving food security.
 - But there have been limited efforts to analyse how the AfCFTA will affect the agriculture sector in general, and key agricultural commodities in particular.
 - The only known studies (NESG, 2019c; Fusacchia, Balie and Salvatici, 2022) do not disaggregate the agriculture sectors and commodities, and is unable to analyse how the AfCFTA will affect different agricultural sectors and commodities.
- Furthermore, much attention has not been paid to the environmental effects of the AfCFTA.

Research Objectives

- To examine the economic and structural impacts of the AfCFTA in Nigeria, with particular reference to the agriculture and food sectors;
- To explore how complementary policies can influence the economic impacts of the AfCFTA; and
- To assess the environmental effects of the AfCFTA in Nigeria.

Method and Data

- Partnership for Economic Policy (PEP-1-1) CGE model
- 2006 SAM
 - Well-disaggregated across agriculture sub-sectors
 - Updated by Omoju, et al. (2020) and Ikhida, et al. (2021)
 - Updated using the cross-entropy method
- 2019 SAM
 - Developed and used to assess the economic impacts of COVID-19
 - Highly aggregated: crop production, livestock, forestry and fisheries
- UNCTAD/WITS data: to disaggregate Africa and ROW in the SAM
- Rural Livelihood Information System (RULIS) of the Food and Agriculture Organization (FAO) and LSMS-ISA (by the World Bank and NBS) - to further disaggregate the SAM across households and labour categories
- Elasticities and parameters: Literature (Oyelami, 2021; Fusacchia, Balie and Salvatici, 2022) and an econometric model/analysis

Potential scenarios

- The proposed four scenarios for the study:
 - A: Extreme case scenario: Full liberalisation of all commodities with no exception
 - B: Realistic case scenario: Full liberalisation of 90% of commodities, and partial liberalisation (35% tariff cut) of the remaining “sensitive” 10% of commodities
 - C: Realistic case scenario + 10% increase in public investment in agriculture (to support the agriculture sector)
 - D: Realistic case scenario + 2.5% points increase in the VAT rate (to mitigate the revenue loss)

Dissemination

- We will first share our preliminary findings with the EC-JRC/AUC-ARBE/FARA/PANAP teams.
- We plan to organise a national policy conference or a policy stakeholder roundtable to disseminate the research findings to policy makers in Nigeria and seek engagement on how the findings of the research can be integrated into Nigeria's AfCFTA implementation.
 - Some of the relevant stakeholders that will participate in the conference include representatives of the Ministry of Trade, Industry and Investment; National Action *Committee* for the Implementation of the African Continental Free Trade Area; academic and trade policy experts; international organisations; private sector leaders; civil society organisations; media; etc.
- A short policy brief will also be drafted and circulated to all the participants, and a summary of the research will be published in blog posts.
- In addition, a short story on the research and the national policy conference will also be published in popular newspapers and media outlets in Nigeria.
- The final draft of the research report will be submitted to peer-reviewed journals for publication. At the moment, we have considered sending the paper to Journal of African Trade (published by the African Export-Imports Bank) and Africa Development Review (published by the African Development Bank).
- The paper will also be submitted for presentation at the 2023 Global Trade Analysis Project (GTAP) Conference and the 2023 African Economic Conference (jointly organised by the African Development Bank; United Nations Economic Commission for Africa; and the United Nations Development Programme).

Thank you for listening