

Nigeria: How to Actualise the County's Economic Diversification Agenda

By Roseline Okere

ABUJA, Nigeria, December 28, 2014 (The Guardian) -- Prince Oye Akinsemoyin is the President of Nigeria-Vietnam Chamber of Commerce and Industry. In this interview with **ROSELINE OKERE**

, he emphasizes the need for Nigeria to engage in refining as solution to the declining crude oil prices. Besides, he bemoans the implications of Nigeria's delay in signing trade treaty with Vietnam.

Excerpts.

CRUDE oil prices have been plummeting in the past five months. What are the implications of this for the Nigerian economy?

The weakness in the Japanese, European and the Chinese economies, is not helping the demand for crude oil at the international market. These are large economies in the world with hitherto huge demand for Nigerian oil, some debilitations in these economies have negative impact on Nigeria and the situation has weakened the price of crude oil.

There is also the issue of American shale oil discovery in North and South Dakota. Pumping of oil from these sources have affected demand for Nigerian oil adversely. Traditionally, U.S.A. had been Nigeria's highest consumer of crude oil, however with the recent turn of events in which the U.S. pumps more oil from these sources, demand for Nigerian oil has fizzled out.

Also, one would have expected that OPEC would agree to a cut in production of crude in order to save prices. However, the recent decision of OPEC against production cuts has not helped the oil prices.

The economic implications of a 35 per cent drop in the prices of crude oil, considering the fact that Nigeria earns 80 per cent of her revenue from crude sales, and has benchmarked the budget on a now unrealistic price of the crude oil sales are quite grim. From \$78/barrel, oil continues to drop in price, falling below \$70/barrel. This is compounded by the eight per cent drop in the value of the Naira against the dollar as the CBN was running out of reserves to defend the currency, and huge drop in the balance on the Excess Crude Account (ECA) from \$9 billion to \$4 billion within a short period of time. It may seem likely that soon, the government may run out of funding for the budget and may need to seek loans so as to support recurrent expenditure. The effort at internally generated revenue by taxing luxurious items or oil subsidy removal being banded by the government may not be as rewarding as painted, considering the fact that we are entering into an election year.

The United States of America has taken the decision to discontinue purchasing crude oil from Nigeria for strategic reasons. The US is looking at it from her own economic stand point. They are not going to rescind that decision. This is a decision taken in the interest of the American people. So, Nigeria has to focus on what is of interest to the Nigerian people. The first thing to do is look for new markets for Nigerian crude. That is why we have been telling Nigeria that Vietnam is ready to be buying crude oil from Nigeria. We should start looking in the direction Asian countries. These Asians are willing to work with Nigeria. Nigeria can sign a term contract that will last for up to 20 to 25 years of continuous purchase of crude oil from Nigeria. The NVCCI is prepared to initiate the talk and facilitate the process. We need to move fast to find new market for our crude oil. We should diversify the economy to reduce over dependence on crude oil.

We should also consider refining our crude oil. Although the Nigerian refineries refining capacity is abysmally at the moment, we can enter into strategic refining partnership with Vietnam that would see Nigeria through the difficulty of her limited refining capacity of the moment. This is necessary, because by the time we refine the crude oil, we will also be getting other products such as condensates, naphtha, LNG. We have to look at what we have. We have four refineries that are presently not producing up to full capacity. We need to find out why the refineries are not working up to full capacity. We need to find out exactly what is wrong with our refineries and fix them.

If the refineries are not working up to capacity, something is wrong. This type of formula will

work. But, once the refineries are put back on their feet, the country can now disengage from such arrangement.

Electricity has been an issue in the country. What do you think is wrong with our power sector?

First of all, a lot of ideas have gone into improving that sector. This sector is not as easy as you think. The investors have invested millions of dollars. These investments have to be protected. The companies dealing in items which are in direct or indirect competition with gencos and discos such as generators are not going to fold their hands; so, we see lots of vandalisation of equipment that belong to the Gencos and Discos. What the government needs to do is to see to the protection of these facilities. The investors need the society to be calm so that they can be focused. They need a society that will not destroy the facilities. If the facilities are not protected, we are going to continue to see this kind of thing.

Another thing is the issue of tariff. A lot of the companies are beginning to realize that the current tariff is not investor-friendly. We need to look at what Nigerians are already used to.

Tell us about the origin of Nigeria-Vietnam Chamber of Commerce and Industry. I started a doctorate degree programme, at the School of Oriental and Africa Studies (SOAS) of the University of London. This study started as a one year independent research into the Economic History of Lagos, sponsored under the British Council administered Foreign and Commonwealth Office (FCO) schemes, which is now called the Chevening Scholarship. The FCO was instituted to prepare future opinion leaders within the framework of the Commonwealth countries. My work started in 1988 and became the subject of a PhD the following year in 1989.

The doctoral programme was deferred after the completion of part of the study, and several chapters of my book on the Economic History of Lagos have been written-up already. Since my return to Nigeria in 1993 and because of my background in Social Sciences and MBA obtained in 1982 at the University of Lagos Akoka, I started the firm Secure Trust Consulting Limited as a training and management research organization. So altogether, I have been working as a management consultant since my return to Nigeria.

I have trained in the public and private sector, especially in the maritime sector. In the year

2001, I was one of the people responsible for setting up the Nigerian-Hellenic Chamber of Commerce (NHCC), which played a prominent role in the signing of the Nigeria and Greece Marine Transport Bilateral agreement in 2003 and also facilitated private sector Nigeria-Greece relations in the areas of trade, commerce and industry.

Furthermore, in the year 2007, I was part of the group, which set up the Nigeria-Vietnam Chamber of Commerce and Industry (NVCCI). This chamber started as a group of people who have common interest in doing business with Vietnam. At that time Nigeria has very sketchy trade relationship with Vietnam, but with the advent of the NVCCI, trade exchanges were boosted and as a result today, we are very glad to say a lot have happened between the two Countries.

Between 2007 and now, how much has been achieved between the two Countries?

Looking at this relationship in historical perspective; in 2003, the relationship actually got a boost, when the then President of the Federal Republic of Nigeria, Chief Olusegun Obasanjo, paid a state visit to Vietnam, which proved as the genesis of the unique bilateral relationship.

The visit took the bull by the horn as the then President visited Vietnam in the company of a group of Nigerian technocrats, investors, entrepreneurs, creating an avalanche of business and investment opportunities for the two sides. That visit paved the way for closer business relationship between the two countries. Till date, would you believe that Nigeria has not reciprocated by opening the door for the Prime Minister of Vietnam to pay a similar visit to Nigeria?

So, I am using this opportunity to call on the Federal Government of Nigeria, in line with the principle of reciprocity, to give opportunity to the Prime Minister of Vietnam to come to Nigeria on a state visit by inviting him to Nigeria. Usually, such high-level visits would be accompanied by keen Vietnamese investors and business men so that opportunities can also be thrown open to Vietnam investors to have first assessment of the Nigerian trade, commerce and investment environment. We have a long list of likely investors in different sectors of the economy from Vietnam who are willing to do business with Nigeria if given the right opportunity.

So, 2003 could be seen as being the official start of Nigeria-Vietnam bilateral relations, it would

not be out of place to consider that trade between both sides would have pre-dated that time.

As at the time the NVCCI opened its doors in 2007, estimates of the trade balance between the two countries would be about \$50 million. However, with the fact that the NVCCI comprised many young and talented Nigerians who were willing to make a difference and carve out a niche, we sat down and got to work promoting trade exchanges. The first explorative trade exchange was in 2008. It was a collaborative work between the NVCCI and the then Federal Ministry of Commerce and Industry. The follow-up was in 2009, which was to take advantage of opportunities created by the earlier one.

I must say that the experience of the first visit of 2008 provided the NVCCI an opportunity of assessing and having an understanding of the private sector of Vietnam. The result was that the Vietnam Chamber of Commerce and Industry (VCCI) signed an MOU with NVCCI, which subsequently proved to be the vehicle in accelerating Nigeria-Vietnam relations from the standpoint of the private sector. We must not forget that when the then President Olusegun Obasanjo visited in 2003, Nigeria signed the first ever trade treaty with Vietnam.

The trade treaty was a water-shed in Nigeria-Vietnam trade relations that formed the basis for Investment Promotion Agreement. It is noteworthy to add at this juncture that the relevant arm of Government of Nigeria namely the Federal Ministry of Investment, Trade and Commerce have started the process of Vietnam and Nigeria completing the Reciprocal Bilateral Investment Promotion Agreement. By contrast in 2007, the two-way trade balance was about \$50million but by 2014, we are now looking at a balance of at least \$2 billion. Things have really fast-tracked.

We know of agreements signed also on the basis of sectors. For example, there is agriculture, health, information technology and in the maritime lately. The Maritime MDA are on the drawing board working on the Nigeria-Vietnam Maritime Bilateral Agreement and Mutual Recognition of Certificates under the STCW '95 Convention of the IMO for people who school in Vietnam and obtain certificates in the Maritime area of study, so that they could come back to the country, and be able to find suitable employment and vice-versa.

If you go to the market now, it is common for you to hear traders saying this is made in Vietnam, as a way of promoting Vietnam brands to the market. This is because they know that products from Vietnam are of good quality and not sub-standard as with other countries. I want to credit my team in the NVCCI for doing a good job.

The NVCCI is now looking at setting up institutions that will further foster the relationship between Nigeria and Vietnam. We are encouraging investors from Vietnam to make in road to Nigeria's economy, companies like Viettel is willing to invest \$7 billion into the Nigerian telecommunications sector. Arrangement is already going on to avail them the opportunity to bid for the relevant spectrum to be able to operate as one of the telecoms operators in the country.

PetroVina is also interested in investing in the Exploration and Production (E&P) sub-sector of the country's Oil and Gas sector, PetroVina is interested in the upstream and the midstream sectors. We are trying to attract investments that will be able to provide employment for Nigerians. The kind of investors that will be able to have multiplier effects on the Nigerian economy. The NVCCI facilitated visit of the Nigeria Maritime Administration and Safety Agency (NIMASA) officials in 2009, and during that visit they were able to see shipbuilding/ship repair yards, maritime training institutions in compliance with STCW '95 and also to enter in talks with the Maritime Bank of Vietnam with a view to technical partnership with Nigeria in the effective management of the Maritime Development Bank of Nigeria when it is set up. Furthermore in 2011 the NVCCI has entered into MOU with organizations to facilitate Deck and Engine-room training of youths in Vietnam Maritime Training institutions for trainees under the Amnesty program.

What are Nigeria's major export products to Vietnam and Vietnam's major export products to Nigeria?

Basically, Nigeria exports agricultural products. At the moment, Vietnam is the largest importer of Nigeria's raw cashew nuts. Vietnam's cashew import from Nigeria is about a \$100 million yearly. Nigeria exports agricultural items like cassava with which Vietnam produces starch and the raw materials

Vietnam imports sea foods from Nigeria, like shrimps, fish; also oil palm, which is processed to palm oil, which goes into local production of creams and cosmetics Vietnam imports food items like coconut and also beans and fruits from Nigeria.

Vietnam exports rice to Nigeria; Vietnam is one of Nigeria's trading partners in rice exportation. Vietnam's rice export to Nigeria will be about \$500 million per annum. Vietnam exports garments, fabrics to Nigeria as well as shoes and fashion accessories. Many of the cosmetics

companies in Vietnam are looking for distributors in Nigeria. Vietnam exports furniture, artifacts and art work for interior décor. Vietnam export computers and computer accessories to Nigeria.

How many Vietnamese companies do we have in Nigeria presently and what are their areas of specialization?

We have a prominent one called The Vietnam Africa Agricultural Development Company (VAADCO). VAADCO specializes in agricultural development, farming technology transfer, food security programmes and youth employment schemes; they have been able to promote farming and food insecurity intervention programmes for state governments. They have entered into MOU with Secure Trust Consulting to provide these services in Nigeria. Presently they are into food security and youth employment projects in parts of the South- East and South-South of Nigeria.

They have a know-how package, which can allow farmers to harvest from the same piece of land about four times in a year the same item. VAADCO has also introduced high yield seedlings which are results of genetic engineering being carried out the laboratory. The NVCCI in 2009 facilitated a tour of various Agricultural establishments for the Raw Materials Research and Development Council. The tour witnessed visits to institutions involved in Seedlings development, to Farm Settlements, and Food Value Chains in different areas, especially as it involves employment generation. There is also Dona Foods, a food processing company, which is into the export of food items to Nigeria. Things like cereals.

There are other companies, which are into food processing. They bring roasted cashew nuts into Nigeria. In other areas, we have companies, which are into transport and logistics business. Some are into clearing and forwarding business. We have one in Calabar Free Trade Zones. There are investors who are willing to come into Nigerian Free Trade Zones. There are people willing to invest in Bagging made of Jutes, HDPE, etc. There is NVCCI study, which demonstrates that there are huge opportunities for investors in the Bagging industry in Nigeria, and we are willing to encourage Vietnam investors to plug into this area. There also investors who are interested in the pulp and paper production and manufacturing in Nigeria, others are interested in marketing and distribution of such products from Vietnam.

So, what is the delay in their coming?

Many investors are very concerned about the news coming out of Nigeria in respect to insecurity to life and property. Furthermore, for as long as we have not been able to conclude the reciprocal Investment Promotion and Protection Agreement (IPPA), the coming of these investors may not be feasible, at least, as at now. This is because the IPPA is an agreement that will ensure that whatever happens in the country, foreign investments in Nigeria will be protected. The NVCCI would like to use this opportunity to call on the Nigerian government to ensure the conclusion of the IPPA soon. This would be necessary in order to bring in Vietnam investors already in the pipeline into Nigeria. We are sure once this is done, many of them will be willing to come.

Apart from insecurity, there is also the issue of corruption. Investors are afraid of the 419 scam. What we normally tell companies making trade inquiries is to get in touch with the chamber of commerce movement before doing business with anybody in the country.

There is a case of somebody who claimed to be coal exporter. We got a letter from our counterpart chamber in Vietnam (VCCI) to investigate the exporter and it turned out to be fake. We found out that the address in the Ajegunle part of Lagos was an uncompleted building and the prospective investor disengaged from the individual. The NVCCI is always postured to encourage legitimate business transactions and dealings.

How much investment do you think is being withheld due to Nigeria's delay in signing the IPPA?

I am sure it will be in billions of dollars because we are looking at investments such as telecoms sector, which is willing to bring about \$7 billion to the economy. We are looking at investment in the oil and gas sector of about \$5 billion. In aggregate, we are looking at a hindrance of about \$20 billion all together. So, something needs to be done. If there is anything that delimits investment we are sure they are things like business environment, time taken to do business, legislations, quality of life, and perhaps double taxation, which could all be summed up as the "investment climate" in Nigeria. Most times, when we talk to investors in Vietnam, they are always talking about IPPA, which is yet to be signed by the Federal Government of Nigeria and Vietnam. If the IPPA is concluded, we are sure that will give Vietnamese investors the much needed assurance and satisfaction that the Nigerian economy is ready to welcome investors from Vietnam.

What about the crude oil importation from Nigeria?

Vietnam is interested in crude oil import from Nigeria. They are interested in investing in refining of crude in exchange for products with Nigeria. The Vietnam refineries can refine Nigerian crude oil. We are appealing to the Federal Ministry of Petroleum Resources to encourage Vietnamese companies interested in buying crude oil from Nigeria. Vietnam is also interested in investing in Exploration and Production sector of the economy. They are interested in investing in the upstream, midstream and downstream sub-sectors of the economy. They are also interested in acquiring oil blocks and we are prepared to enter into discussions in this area for more investment in the country.