



## **PRACTICES AND CHALLENGES OF SUPPLY CHAIN MANAGEMENT BETWEEN EU AND NIGERIA: A RESEARCH ON INTERNATIONAL TRADE**

***Said Abdullahi USMAN,***

Istanbul Okan University, Turkey

***Ahmet Murat KÖSEOĞLU***

Istanbul Okan University, Turkey

Received: June 22, 2019

Accepted: Nov 19, 2019

Published: Dec 30, 2019

### **Abstract:**

*The study was conducted on challenges of supply chain management that affect the international trade between Nigeria and the EU. The study used pure qualitative approach using secondary data from the national database and various sources for the period of 2007 to 2018. The research provides an overall view of how the practices of logistics and supply chain from two distinct part of the globe (Nigeria and the EU) are assessed and identifies the components included and how it affects the foreign trade between both parties. The research aims to find out the factors and attributes that lead to efficient logistics management and supply chain practices that will affect the performance of organizations and improve trade between Nigeria and the EU. The topics consist of Introduction, general idea about supply chain management, the general information about Nigeria and its international trade, the current overview of the EU and its international trade with West Africa precisely Nigeria. Lastly, recommendations are suggested so as to help enable improvement and growth in the sector of (Foreign) trade for Nigeria through effective management of logistics.*

### **Keywords:**

Supply Chain, International Trade, Challenges

### **1. Introduction**

The Role-played by Logistics and SCM in the development of any nation cannot be overemphasized. Efficient utilization of the supply chain is a vital aspect in any business as it is directly connected to the cost of goods manufactured. Practices in the supply chain industry have huge impact on trade connecting Nigeria and European union. According to (Martinelli and Ilo 2012) Nigeria is also known as an African powerhouse. It is a strategic partner for the EU, a vital partner in the region and performs a two-sided role by stabilizing the ECOWAS peace and security architecture.

In line with the rise in international trade, the diminution of the borders between countries, the advancement of the concept of globalization, the logistics and supply chain industry has recently become very critical for organizations however despite the growth, the trade between the EU and Nigeria is still yet to attain its potential due to poor practices in the supply chain management.

The focus of this paper is to understand the problems of supply chain management between Nigeria and the EU and how this issue affects the international trade between both parties and also to stretch out the lessons that can be drawn from it which can help Nigerian companies to better and effectively strengthen their supply chain.

### **2. Literature Review**

Oliver & Webber (1990) state that the expression "supply chain management" initially came up in 1982. Around 1990, scholars first described SCM from a conceptual perspective to distinguish it from conventional methods and terms (logistics) to the management of material flow and the related information flow (Cooper et al., 1997). The expression "SCM" has become more recognized in the last twenty years due to the increase in findings on the subject (Ashish, 2007).

The global supply chain forum describes supply chain management as the unification of important aspects from end user through original suppliers that provides products, services, and information of a business that increase benefits for consumers and various members (Lambert et al., 1998).

The concept and practices of Supply chain management have gained popularity from Managers, scholars, and consultants (Hamister, 2012). The comprehension and implementation of SCM approach occupies a crucial place for companies to stay competitive and for increasing profit in a growing and fierce international marketplace. The execution of supply chain management approach is not restricted to production companies only and is applied as well in the distribution sector (Randall et al., 2011).

According to (Ajiboye and Afolayan 2009), supply chain management and logistics are very crucial in the overall growth of any country. Supply chain management and logistics in every community be it underdeveloped, developing or developed are both focused on the safe and efficient transportation of people and products from one place to another. Millions of passengers travel by road, rail, Air, and water throughout the world in general and in Nigeria, in particular, every year all the products that are imported and exported pass through the logistics supply chain.

Ajiboye (2009) states that the position for logistics and SC planners, managers and engineers in Nigeria in 2000s continues to rise despite the meltdown episode. This growth depends upon a number of factors such as the fact that logistics and supply chain management profession is relatively young and small while the supply chain and logistics industry is expanding at a rapid rate and has resulted in an ever-increasing demand for professionals with balanced knowledge of the various factors of SCM and logistics to meet the current challenges and future challenges.

In the last decade, part of the key components that contributed to the economic growth is the logistics industry with Europe been another example. Several signals are turning to red in Europe as a "hard Brexit" is anticipated from talks between the UK and EU. The outcome for supply chains leaving the UK would create a high opportunity cost and huge loss for European union and united kingdom companies: increased administrative restrictions, customs border procedure, additional bureaucracy for import and export declarations, no further value-added tax, and customs duty integration. This will consequently have effect on revenue, finances, and transaction times. Companies operating within the EU today are enjoying the eased system and the well-integrated European supply chain aspects with several components designed to maximize benefits from investments and provide continuous increased service levels. (Liguori, 2017).

### **3. Nigeria's Export Performance**

The role of export as an essential component of international trade in the Nigerian economy has increased during the years. Nigeria uses foreign trade to import capital goods, raw materials, and consumer goods all of which are vital elements for prosperity and economic development.

According to NBS, exports in the first quarter of 2018 were dominated by crude oil. It accounted for 76.3% of the total exports from Nigeria as shown in the table below. This shows a growth of up to 19.74 compared to the last quarter of 2017.

**Table 1**

2018 Export First Quarter	
Products	% Share of Total Exports
Petroleum oils and oils obtained from bituminous minerals, crude	76.28
Natural gas, liquefied	10.28
Other petroleum gases etc in a gaseous state	0.66
Sesamum seeds, whether or not broken	0.57
Good Fermented Nigerian Cocoa Beans	0.50
Naphthalene	0.38
Urea, whether or not in aqueous solution	0.35
Electrical energy (optional heading)	0.21
Polyethylene having a specific gravity $\geq 0.94$ , in primary forms	0.19
Cigarettes containing tobacco	0.18
Superior quality raw cocoa beans	0.13
Other, Medium petroleum oils	0.12
Unwrought aluminum, not alloyed	0.11
Cashew nuts, in shell	0.11
Cocoa butter, fat and oil	0.09

Source: National bureau of statistics. [http://nigerianstat.gov.ng/elibrary?queries\[search\]=foreign%20trade](http://nigerianstat.gov.ng/elibrary?queries[search]=foreign%20trade)

By continent, According to the data given by NBS in 2018. Europe is at the top with over 49% of the Nigerian export going to the European continent then comes the Asian continent with about 28% and finally the Americas and the rest of African continent with a little over 12 percent and 10 percent respectively.

**Table 2**

% Of the top five countries in total export	
Country of destination	% share of total export
Netherlands	20.53
India	18.19
Spain	8.35
United States	8.24
France	6.35

Source: National bureau of statistics. [http://nigerianstat.gov.ng/elibrary?queries\[search\]=foreign%20trade](http://nigerianstat.gov.ng/elibrary?queries[search]=foreign%20trade)

As part of the top 5 countries for Nigerian exports in the first quarter of 2018, the Netherlands is leading the way with over 20.53%.

#### 4. Nigeria's import Performance

The dependence on imported products has created a huge demand for foreign exchange and a depreciation of the naira through the years. Majority of the things in Nigeria are imported from toothpicks to refined petroleum products.

High importation has resulted in an almost nonexistent manufacturing industry leading to an increase in the country's unemployment and underemployment numbers. (Proshare, 2016).

**Table 3**

% Of the top five countries in total import 2018 first quarter	
Country of destination	% Share of total export
China	21.09
Netherlands	12.14
Belgium	10.59
United States	6.51
India	6.27

Source: National Bureau of statistics. [http://nigerianstat.gov.ng/elibrary?queries\[search\]=foreign%20trade](http://nigerianstat.gov.ng/elibrary?queries[search]=foreign%20trade)

As part of the top 5 countries for Nigerian imports in the first quarter of 2018, China is leading the way with over 21.09% followed by the Europeans Netherlands and Belgium with 12.14% and 10.59% .

According to NBS, imports in the first quarter of 2018

Were dominated by motor spirit (refined oil). It accounted for 28.52% of the overall exports from Nigeria.as shown in the table below

**Table 4**

2018 IMPORT First Quarter	
Products	% Share of Total Exports
Motor spirit ordinary	28.52
Gas oil	2.96
Durum wheat (not in seeds)	1.99
Cane sugar, meant for sugar refinery	1.85
Imported motorcycles and cycles, imported CKD by established manufacturers >50cc<=250cc	1.53
Durum wheat, Seed	1.41
Other Herbicides, antisprouting products, and plantgr	1.24
Used Vehicles, with diesel or semi-diesel engine, of cylinder capacity >2500cc	1.17
Lubricating oils to be mixed	1.16
Parts; Electrical apparatus for line telephony or line telegraphy	1.06
Polypropylene, in primary forms	0.80
Milk & cream in powder>1.5% fat not contain sweetening matter specially made for infants	0.73
Mackerel (Scomber scombrus, Scomber australasicus, Scomber japonicus) meat, frozen.	0.70
Other paper and paperboard weighing 40g/m2 or	0.58

more but not more than 150g/m <sup>2</sup>	
Polyethylene having a specific gravity <0.94, in primary forms	0.57

Source: National Bureau of statistics. [http://nigerianstat.gov.ng/elibrary?queries\[search\]=foreign%20trade](http://nigerianstat.gov.ng/elibrary?queries[search]=foreign%20trade)

### 5. The Pattern of Trade Between The Eu And Nigeria

The partnership between the EU and Nigeria has grown over the years. The EU is the main associate of commerce for Nigeria, with the trade volume attaining 25.3 billion Euros in 2017 (Arrion, 2018).

In spite of the growth in trade, Nigeria has postponed the signing of the EPA, which was initiated by EU with the goal of removing trade barriers with its ECOWAS member states counterparts. After almost a decade of multiple discussions initiated by the European union, the economic partnership agreement form was completed in 2014 with increasing advantages to emerging nations such as easier entrance to European union markets and better access into the world market. Following Pessimistic opinions from Nigerian manufacturers and other various professionals citing the disparity of advantages to EU manufacturers having unrestrained rights into the local market over Nigerian producers, the previous head of state, declined to sign the agreement (Saction, 2016).

Currently, the businesses cannot rival with the more developed and advanced businesses in Europe. The protection of the industries and the youth is prioritized (Sahara reporters, 2018).

There is also a huge trade imbalance in the pattern of trade between Nigeria and the EU as shown in the figure below.

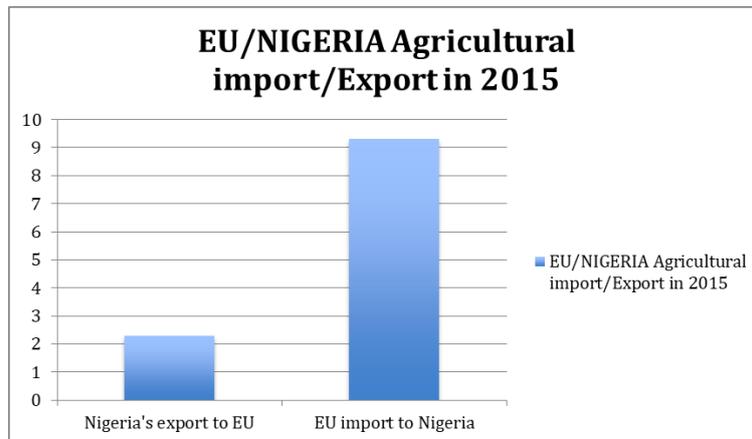


Figure 1

Source: Newsdairyonline, June 05, 2016. Nigeria expresses concerns over ECOWAS-EU Trade Deal. <http://newsdairyonline.com/nigeria-expresses-concerns-ecowas-eu-free-trade-deal/>

It reflects the state of the Nigerian Economy and how it lacks the means and ability to benefit from export of agricultural products to the EU markets. (Saction, 2016).

Despite the growth, these issues are the ample reasons affecting the stability of the EU-Nigeria international trade.

### 6. Trade Barriers

The nation enforces various restrictions on exports and imports which are mandated politically in order to support spaghetti, noodles, meat products, furniture footwear and meat products to mention a few in order to boost and also support the local industries which helps the nations economy to a larger extent .

The country also uses protectionism by charging tariffs or duties on some goods. there are various major categories in trade barriers.

Poor Infrastructure for movement, lack of adequate skills and lack of transparency in cross border management. Some other problems such as difficulties to acquire local content criteria, and also export- import licensing, which have been designed to facilitate the protection of the local manufacturers from sub-par or low quality imports.

Furthermore inclusion of trade barriers badly affects the chain of supply from the importers to the exporters. The cost of export and import in Nigeria and Africa is twice as high if not more when compared to the pacific region and east asia. Although the quantity of foreign trade with Nigeria is very high, it can be better managed in such a way that there is a remarkable increase with the removal of supply chain obstacles and barriers.

### **6.1. Operational Issues**

The system practiced in Nigerian ports continues to bring about serious problems to trade. According to the importers the use of customs guide lines regarding trade is irregular the process is filled with corruption, unnecessary long procedure during clearance and also high prices for berthing of vessels, these issues mostly contribute to the reduction in terms of quality of most perishable goods and as a result this translates to huge losses for the importers. Disputes that occur within the government agencies in Nigeria as to the use and interpretation of the laws and regulations also cause unnecessary delays. Delays and changes to the guidelines for import and export also contribute to the slow movement of goods in the Nigerian ports. The method used by Nigeria in checking imports is the destination policy. The destination policy is a policy that states that every import must be checked at the point of arrival in Nigeria. The process is slow and archaic because it delays the process and it incurs cost for the importers. (Export.gov, 2016).

According to Nifemi (2017), similar to other neighboring countries Nigeria experiences the same issue of poor infrastructure. Inadequate roads mainly add to the overall transportation cost for businesses. This cost of transportation is also increased due to an unstable market that is not mostly connected to the important road networks. The distribution challenges often as a result vary based on the nature of the goods and the location of the customer.

Another operational issue in SCM affecting the trade between the two partners according to Nifemi (2017) is the storage and inventory management issue. Some distributors do not have the befitting warehouse infrastructure for the goods that they distribute. For example, food stuff that have to be stored in cold rooms will end up wasted due to the irregular power supply that affects every Nigerian business. Also due to the immense storage cost, some distributors outsource their warehousing, exposing their various partners to additional risk. The absence of the required information technology infrastructure creates a lack of clarity and comprehension of the market, making it complicated for managers to monitor the of stock levels and to provide information with associates in the market.

### **6.2. Governance And Trade Policies**

Although the Nigerian customs service created a website to assist in the provision of information which would be of importance to both the importer and exporters and all the stakeholders.

Disagreements between various government agencies regarding the uses and limits of the stipulated laws mostly causes unnecessary changes and delays as to how goods or the process in which goods are moved in the Nigerian ports.

### **6.3. Regulations For International Trade Between The Eu And Nigeria**

Since 2000, the Cotonou Agreement has governed trade relations between Nigeria and European union.

The present government focuses on Nigeria's benefits i.e. the European union gives the country better terms for its trade with Europe often more than what the European union gets in return. This arrangement is not officially in accordance with the WTO rules for international trade. Hence, when the Cotonou Agreement was put into practice, the signatory countries demanded for, and obtained, a waiver from the various partners of the world trade organization (European union external action, 2016).

Nigeria gives customs duty exemption to imports of, agricultural goods such as fertilizer, seeds and machinery to allow growth in agricultural productivity. Duty-free imports of plants and machinery for the mining sector are

permitted. Several products imported into export processing areas are exempted from customs duties and other taxes. The CIT holiday is the main tax inducement given to enterprises, mainly to businesses that are well established. The country applies these industrial strategies to enable usage of various resources, and value added/manufacturing. (Tralac, 2017)

#### **6.4. Recommendations**

Following the findings of the study: these are the feasible recommendations.

- Despite the provision for several range of incentives that are mostly tax or import-tariff related and that affect businesses manufacturing for the local as well as international market, Nigeria needs to focus on further diversifying its economy in order to increase its capacity of trade and not remain limited to the oil and gas industry.
- The government and also the companies would need to provide special training programs for staffs in order for them to have the necessary skills and to avoid Issues such as deficiency in several aspects, lack of skilled labor. This would help manage and tackle better the other huge issues impacting cargo and shipments such as theft, mishandling and other immense charges
- The government should enforce international regulations and standard of operations to provide an increase in the acceptance of the Made in Nigeria products. The focus should be on producing more globally focused products.
- Soft border management should be taken into consideration to solve the border administration issues (delays, corruption etc.)

#### **7. Conclusion**

The Nigeria-EU relations have been rapidly developing over the past years. Africa has become an important player in global economics and trade, and a crucial factor of international growth and development. In addition to that, Nigeria has grown to be an important partner for EU-Africa export and import activities.

The Nigeria-EU economic and socio-political relations are still in their introductory stage of development. However, the recent developments and latest data show that they are steadily and constantly growing and improving.

According to the author, Logistics remains the main problem of the Nigeria-EU international trade. It is safe to say that efficient and effective supply chain and trade practices will have positive impact on the business capacity mainly the Nigerian companies and eventually lead to economic growth in Nigeria.

A successful management of the supply-delivery chain requires many decisions such as information sharing, products and capital. The establishment, organizing and practices of a supply chain have huge effects on the revenue generation and overall result of a company.

The planning of the supply chain enables companies to function better in the short term and to have better coordination hence avoiding issues such as the bullwhip effect.

While in the planning stage, Nigerian businesses have to provide a certain degree of contingency hence creating a need for structural flexibility in order for the supply chain to adapt to the demand or the supply side of the business, Forex and competition for that limited period

The planning phase should help businesses determine the types operational rules that guide their immediate and long-term operations.

The top managers in companies have to consider supply chain as one of the key aspects towards the attainment of high performance levels in Nigerian trade.

For a developing country like Nigeria to compete on the global arena in term of supply chain practices, a proper and transparent implementation of the exemption of trade barriers is necessary and also a huge investment in innovative systems is required in order to boost the nations prospects in international trade.

A significant part of the growth in the supply chain trade is due to the advancement in technology, which helped in decreasing the risk and costs in the global supply chains.

Additionally, For Nigeria there is a need to review and improve its capacity in terms of skills, capital and innovation in order to upgrading its status in global supply chains

In conclusion everything that has an advantage would surely have some disadvantages. The issue of improving supply chain performance to enhance the trade between Nigeria and the EU remains a complex problem, Thus in line with the various reasons mentioned in the analysis and as stated by the world bank, efficient and effective SCM performance is highly related with trade growth, export diversification, and the capacity to stimulate FDI's, and economic development.” .

## References

- Ajiboye A. O. & Afolayan, O. (2009b). A study of the transportation factors militating against agricultural production in a developing country: The case of Africa *Journal of Technology Policy*. Vol. 5, No1, Pp 263- 271.
- Ashish, A.T. (2007) Competitive advantage of a firm through supply chain responsiveness and SCM practices (Doctoral dissertation) Retrieved from Dissertations and Thesis database .
- Arrion, M.2018 “EU, Nigeria trade volume hit 25.3 billion Euros” Retrieved from <https://economicconfidential.com/2018/05/eu-nigeria-trade-volume-hit-25-3-billion-euros/>
- Cooper, M. C., Lambert, D. M., and Pagh, J. D. (1997), Supply chain management: more than a new name for logistics, *The International Journal of Logistics Management*, Vol. 8 No.1, pp. 1-14
- Export.gov 2016. “Foreign trade barrier”. Retrieved 31.07.2018 from <https://www.export.gov/article?id=Nigeria-Trade-Barriers>
- European union external action. (2016). “Nigeria and the EU” Retrieved 23.07.2018, [https://eeas.europa.eu/headquarters/headquarters-homepage/1621/nigeria-and-eu\\_cs](https://eeas.europa.eu/headquarters/headquarters-homepage/1621/nigeria-and-eu_cs)
- Hamister, J.W.2012. Supply chain management practices in small retailers. *International journal of Retail & Distribution management*, 40(6), 427-450.
- Lambert D.M., Cooper M.C., Pagh J.D., 1998. Supply chain management: implementation issues and research opportunities. *The International Journal of Logistics Management* 9 (2), 1–19. <https://doi.org/10.1108/09574099810805807>
- Liguori, P.2017. “Analysis: What Brexit means for European supply chains”. Retrieved 05.07.2018 [https://www.joc.com/regulation-policy/trade-policy/international-trade-policy/analysis-what-brexite-means-european-supply-chains\\_20171114.html](https://www.joc.com/regulation-policy/trade-policy/international-trade-policy/analysis-what-brexite-means-european-supply-chains_20171114.html)
- Martinelli M & Ilo j (2012). “Why the EU has a Stake in Nigeria’s Democracy” Retrieved 25.06.2018 from Open Society Foundation: <https://www.opensocietyfoundations.org/voices/why-eu-has-stake-nigeria-s-democracy>
- Nifemi, A.2017. “ Five challenges of distribution in Nigeria” Retrieved 01.08.2018 From <https://kpakpakpa.com/spotlight/challenges-of-distribution-in-nigeria/>.
- Oliver, R.K., & Webber, M.D. (1982), Supply chain management: Logistics catches up with strategy, *Logistics: the Strategic Issues*, London, UK: Chapman & Hall.
- Proshare. 2016 “Import substitution in Nigeria: Feasibility and path towards reduced import content.” . <https://www.proshareng.com/news/Nigeria%20Economy/Import-Substitution-in-Nigeria--Feasibility-and-Path-towards-Reduced-Import-Content-/30809>
- Saction.2016. “Nigeria and EU’s EPA: Economic cooperation or Economic slavery?” Retrieved on 31.07.2018. [http://saction.org/wp-content/uploads/publications/EPA\\_Briefing.pdf](http://saction.org/wp-content/uploads/publications/EPA_Briefing.pdf)
- Tralac.2017. “Trade policy review: Nigeria” Retrieved 23.07.2018 from <https://www.tralac.org/news/article/11745-trade-policy-review-nigeria.html>