NAVIGATING U.S. TARIFF SHOCKS: NIGERIA'S STRATEGIC POLICY OPTIONS FOR EXPORT RESILIENCE

Executive Summary

The imposition of a 14% tariff on Nigerian exports to the United States, along with the looming expiration of the African Growth and Opportunity Act (AGOA), poses a serious risk to Nigeria's export earnings, macroeconomic stability, and industrial progress. In 2024, Nigeria exported $3.8 billion worth of goods to the U.S., over half of which was crude oil. Any escalation in tariffs, coupled with global trade realignments, threatens to exacerbate inflation, foreign exchange volatility, and structural dependence on primary commodities.

This report outlines Nigeria's macroeconomic, industrial, and trade-related vulnerabilities while identifying strategic opportunities for transformation. It proposes twelve comprehensive policy responses from trade diversification and digital trade enablement to legal capacity building and regional value chain integration. It concludes with a roadmap for action, aimed at building a resilient, value-driven, and globally competitive export economy.

1. Introduction

Nigeria's trade relationship with the United States is economically important but structurally imbalanced. Crude oil dominates Nigeria's exports, while imports are heavily composed of capital goods, vehicles, and machinery. The 14% proposed U.S. tariff, particularly on oil, threatens to weaken foreign exchange inflows, induce inflation, and strain Nigeria's external trade equilibrium. As AGOA expires in 2025 and protectionism rises globally, Nigeria must rethink its export model and assert greater sovereignty over its industrial and trade policy.

1.1 Historical Context and Global Trade Tensions

Since the U.S.– China trade war initiated in 2018, global trade dynamics have shifted from multilateralism to strategic protectionism. African economies have experienced mixed outcomes from AGOA, and with its expiration imminent, new uncertainties arise. For smaller economies like Nigeria, tariffs diminish

competitiveness, raise volatility, and can derail development. As WTO Director-General Ngozi Okonjo-Iweala has warned, inclusive trade norms are weakening a development Africa cannot afford to ignore.

2. Impacts

2.1 Economic Challenges

The 14% U.S. tariff threatens Nigeria's macroeconomic stability. Crude oil, which constitutes over 55% of Nigeria's exports to the U.S., will be directly affected. Exports declined from $4.8 billion in 2023 to $3.8 billion in 2024, according to UN COMTRADE data. The depreciation of the naira, higher import costs, and reduced export earnings will likely intensify inflationary pressure.

2.2 Industrial and Non-Oil Sector Impacts

Non-oil exports to the U.S., including cocoa, sesame, cashew, leather, and ginger make up only 2–3% of total export values. However, these sectors are nascent and strategic. Tariff escalation could derail value-added chains and investment confidence. Firms may face contract terminations, pricing volatility, and certification risks.

2.3 Financial and Investor Risks

The broader financial system faces stress. Tariff-induced export contraction will reduce foreign reserves and invite speculative attacks on the naira. Investors, already wary of policy inconsistency, may delay or exit key sectors. The risk of capital flight and inflation will further challenge Nigeria's macro-financial resilience.

2.4 Strategic Opportunities

Despite risks, this shock can accelerate reform. Nigeria can expand exports to AfCFTA and Middle Eastern markets, invest in local processing, and build industrial capacity. The Dangote Refinery, operational since 2024, has already reversed the U.S.–Nigeria crude oil dynamic, importing light sweet crude and exporting refined products, signalling a shift toward domestic value capture.

3. Comparative Lessons from Other Economies

Vietnam leveraged U.S.–China trade tensions by joining trade pacts and attracting FDI via industrial zones. Kenya retained AGOA access while pivoting to UAE and UK trade. Brazil deployed trade defence tools and focused on domestic downstream value. Nigeria must adapt these approaches to its unique political economy.

4. Policy Recommendations

4.1 Trade Diversification and Market Access

Nigeria must urgently reduce its dependency on the U.S. and expand its trade relationships by fully leveraging the African Continental Free Trade Area (AfCFTA), negotiating bilateral and regional trade

agreements with growth markets in Asia, the Middle East, and Latin America, and removing non-tariff barriers to trade. Export promotion should be enhanced through regional value chain integration and the establishment of mutual recognition agreements to support certification and quality assurance. Building new trade corridors and logistics hubs aligned with demand trends in partner regions will enhance access for Nigeria's agro-commodities, solid minerals, and light-manufactured goods.

4.2 Value-Added Industrialisation

Nigeria must transition from raw commodity exports to processed, semi-finished, and value-added products. Priority sectors include cocoa, sesame, cashew, cotton, pharmaceuticals, and mineral processing. Agro-processing can convert raw exports into high-margin goods such as chocolate, oils, and textile inputs. The operational Dangote Refinery has already enabled value capture from crude oil, and similar efforts must be extended to mining and agribusiness. The goal is to create jobs, boost export earnings, and increase Nigeria's industrial complexity.

4.3 Trade Diplomacy and Strategic Alliances

Nigeria should lead proactive negotiations with the U.S. to secure sector-specific agreements ahead of AGOA's expiration. Examples include a Nigeria–U.S. Strategic Trade and Investment Compact focused on textiles, light manufacturing, and agro-processing. Nigeria should also build alliances with blocs like Brazil, Russia, India, China, and South Africa (BRICS), the Gulf Cooperation Council (GCC), Association of Southeast Asian Nations (ASEAN), and the European Union (EU) to diversify its strategic trade and investment relationships and engage in joint investment platforms that expand reciprocal access to new markets and technologies.

4.4 Industrial and Sectoral Support Mechanisms

Targeted support should be provided to vulnerable but high-potential sectors. Export-oriented firms should receive performance-linked tax reliefs, export grants, concessional financing, and technical support to meet global standards. Small and Medium Enterprise (SMEs) must be integrated into supply chains through shared infrastructure, access to aggregators, and incubator programs. Blended financing with development finance institutions can support firms that prioritize value addition and export-readiness.

4.5 Infrastructure and Trade Logistics

Nigeria must urgently upgrade trade-enabling infrastructure including ports, roads, rail, and industrial clusters. Energy reliability must be improved, especially for manufacturers and exporters. Customs clearance and border processing must be fully digitised to eliminate corruption and reduce turnaround times. This is essential for time-sensitive exports such as textiles, perishables, and electronics.

4.6 Domestic Demand and FDI Stimulation

Nigeria must stimulate domestic demand through local content procurement and import substitution. Government purchasing power should be leveraged to buy made-in-Nigeria goods. A coordinated 'Buy Nigerian' campaign should be launched to influence consumer habits. Meanwhile, Foreign Direct Investment (FDI) attraction strategies must focus on improving investor protections, land use

transparency, dispute resolution, and policy stability in export-driven sectors such as agribusiness, manufacturing, and renewable energy.

4.7 Institutional Reform and Export Ecosystem Modernisation

Key export support institutions like the Nigerian Export Promotion Council (NEPC), Standards Organisation of Nigeria (SON), Nigerian Investment Promotion Commission (NIPC), and Presidential Enabling Business Environment Council (PEBEC) must be upgraded with digital tools, clear mandates, and performance metrics. A Single National Export Window should be implemented to consolidate licensing, financing, logistics tracking, and compliance. Annual reform scorecards and exporter feedback mechanisms should be institutionalised to monitor support system effectiveness.

4.8 Digital Trade Enablement

Nigeria should unlock its digital trade potential by removing regulatory bottlenecks, harmonizing cross-border data flow protocols, and supporting e-commerce infrastructure. SMEs should be enabled to list and transact digitally across African and global markets. Logistics, fintech, and cybersecurity ecosystems must be enhanced to support digital export onboarding. Adoption of AfCFTA's Digital Trade Protocol is key to unlocking scale.

4.9 Workforce Readiness and Export Skills Development

A national export workforce strategy should be designed to align tertiary education, Technical and Vocational Education and Training (TVET), and digital skilling to non-oil export sectors. Youth entrepreneurship in export trade should be supported through incubation hubs, export labs, and blended training-financing models. The government and private sector must co-develop sector-specific apprenticeship schemes in garments, logistics, agrifood, and ICT.

4.10 Legal and Regulatory Capacity for Trade Resilience

Nigeria needs strong legal and negotiation capacity to secure better terms in trade agreements and defend its interests in WTO and AfCFTA disputes. A National Trade Law and Policy Unit should be created under the Ministry of Justice in collaboration with the Ministry of Trade. Capacity building for trade lawyers, IP experts, and dispute negotiators should be prioritized.

4.11 Data and Market Intelligence

A National Trade Intelligence Platform should be launched to provide exporters with real-time data on market access conditions, competitor pricing, tariff simulations, and regulatory updates. Data should be drawn from Customs, NEPC, African Trade Observatory, and private sources. SMEs must have access to export diagnostics and market readiness tools.

4.12 Regional Value Chain Integration

Nigeria must not only export more within Africa but embed itself in AfCFTA value chains. Joint Special Economic Zones (SEZs), coordinated standards, and cross-border industrial clusters with neighbours should be prioritised. Examples include regional hubs for pharmaceuticals, garments, processed foods,

and automotive assembly. ECOWAS should be a partner in aligning investment incentives and regional infrastructure projects.

5. Conclusion

The escalation of U.S. tariffs and the impending expiration of AGOA present both a challenge and an inflection point for Nigeria's trade future. Rather than viewing these disruptions solely through the lens of economic vulnerability, Nigeria must seize this moment to pivot towards a high-performing, value-added, and globally competitive export economy.

This transformation cannot be driven by isolated measures. It must be anchored in a bold, coherent, and coordinated national response that integrates industrial policy, trade diplomacy, digital infrastructure, institutional strengthening, and workforce development. At its core, the response must transition Nigeria from raw commodity dependency to strategic value chain positioning both within Africa and globally.

The Institute of Chartered Accountants of Nigeria (ICAN) calls for a coordinated national effort bringing together government, businesses, trade unions, civil society, and regional partners to shape a unified strategy for strengthening Nigeria's export resilience. This strategy should be built on the following foundations:

- Strong legal and negotiation capabilities to secure fair trade deals
- Smart digital tools to track trade data and ensure compliance
- Financial and industrial support tailored to high-potential sectors
- Greater participation in regional trade through platforms like AfCFTA and ECOWAS
- A skilled workforce prepared for the digital economy and export-focused industries

ICAN stands ready to support this vision through policy advisory, capacity building, and cross-sector convening.

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