

**Business in Nigeria**  
**FIELD AFRICA**



## Nigeria Market Overview

Nigeria is Africa's most populous country with over 120 million citizens and arguably the most culturally diverse society in the world. The country is basically a mono-cultural economy, which is highly dependent on oil. The oil and gas sector accounts for over 90% of the country's foreign exchange earnings. GDP for 2003 was \$43 billion with agriculture and the manufacturing sector contributing 34.6% and 38.2% respectively.

The decline in Nigeria's agricultural and manufacturing capacities has continued to increase the country's dependence on imports. The country's major import partners as at 2003 were US 15.6%, UK 9.6%, Germany 7.3%, China 7.2%, Italy 4.3%. The United States controls at least 80% of the imports in the oil and gas sector.

Interest rates have remained very high despite efforts on the part of government to keep it low. Currently, interest rates range from 26% to 35% per annum. A Dutch auction system for foreign exchange was introduced in June 2002: In any event, the new auction system has helped slow reserve loss while allowing the exchange rate to be more market determined.

## Market Challenges

There are no restrictions to imports except those in the import ban list. See list at <http://www.otal.com/nigeria/nigeriaimports.htm>. There are also no legal barriers preventing entry into business, except the minimum qualifications required by the professional bodies. Foreign companies seeking to do business in Nigeria are expected to do so with incorporated companies or otherwise incorporate their subsidiaries locally. For more information, please visit <http://www.nigeriaembassyusa.org/business.shtml>.

U.S. firms interested in the Nigerian market are strongly advised to seek the assistance of experienced commercial lawyers, preferably those on CS Nigeria's website of service providers at [http://www.buyusa.gov/nigeria/en/serviceproviders.html?bsp\\_cat=80120000](http://www.buyusa.gov/nigeria/en/serviceproviders.html?bsp_cat=80120000)

Enforcement of international property rights remains a problem in Nigeria despite official pronouncements and existing copyright laws. Clearance of goods at the ports can be slow, cumbersome and highly bureaucratic as a result of the corrupt tendencies of officials. Beware that infrastructure in Nigeria is poor, laws are inconsistent, and corruption is pervasive. For example, the rail system is outmoded, air transport service within the country is still limited to major cities, most roads are in bad condition and power supply is erratic. However, telecommunications has improved with the liberalization of the sector which engendered the introduction of the Global System for Mobile Telecommunications (GSM) and other private telecom networks.

## Market Opportunities

Prospects for U.S. business in Nigeria are especially promising in the following sectors: oil & gas equipment, electrical power generating equipment, computer hardware/software, telecommunications equipment, automobiles, parts and accessories, construction and earth moving equipment and agricultural products and equipment.

U.S. businesses should be aware that many genuine opportunities exist in Nigeria, even if the atmosphere does still seem difficult and certain extra screening steps must be taken. Most Nigerians are positively disposed toward the United States and have a strong affinity for U.S. products. Nigeria has many honest businessmen and women eager to form partnerships with American counterparts. Nigerian and U.S. authorities are working together to combat the fraud industry. Some U.S. companies are excluding Nigeria from their African commercial strategy based on alarmist, misleading and



often incorrect information, and may miss out on excellent commercial opportunities as a consequence. If U.S. business travelers prepare prudently, a business trip to Nigeria can be an enjoyable and rewarding experience.

## Market Entry Strategy

The best way for U.S. manufacturers and suppliers to penetrate the Nigerian market is to combine the benefits of the network services and programs of U.S. Export Assistance Centers (USEAC, visit [http://www.export.gov/comm\\_svc/eac.html](http://www.export.gov/comm_svc/eac.html).) in association with the U.S. Commercial Service at the U.S. Consulate General in Lagos, Nigeria. Seeking the assistance of the USEACs before exploring an opportunity in this market is highly encouraged. For establishing a presence in Nigeria, we recommend that U.S. firms use an agent/distributor relationship with a locally registered company. Many foreign manufacturers and suppliers appoint one or more agents/distributors to accommodate Nigeria's geographical size and ethnic complexities. In Nigeria's complicated environment, all relevant terms and conditions of such arrangements must be carefully negotiated.

## Contact Details

If you would like to further discuss your research requirements, please contact our fieldwork director on:

- tel: (+27) (0)31 277 2050
- fax: (+27) (0)31 202 1982
- email: [info@fieldafrica.com](mailto:info@fieldafrica.com)

