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**FEMIBOYEDE**  
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# Talking Trade Webinar Takeaways

**Strategising to Optimize Trading with  
AfCFTA: What SMEs Must Know**

**Keynote Speaker: Olufemi Awoyemi**  
**Olufemi, B.Sc. (Hon), FCA, FCTI, FIoD, FIMC.**  
**Founder and Chairman of Proshare NG**

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**HELD ON: AUGUST 7TH 2021**

**PREPARED BY**  
**FEMIBOYEDE CONSULTING**

## THE PREMISE

# Talking Trade Webinars With Femi Boyede

Talking Trade with Femi Boyede has been set up to discuss, in a professional manner, all the angles related to all the issues that a firm, an individual, or a country can expect to confront as they design, implement or modify their strategic process to manage trade. It is a virtual platform for engaging discussions on international trade from its components, through the values it offers to individuals, corporations, and countries, reducing poverty, creating employment, growing national economies, increasing corporate profitability, etc).

As the CEO of KGS, Mr Boyede is arguably Nigeria's strongest acclaimed advocate of non-oil export development and promotion. With over 30 years of experience in the non-oil export field and the media space, Mr. Boyede will be the main resource person as well as other invited trade experts as guest speakers.

The outputs of the Trade Webinar series will include:

- a. Webinar Report: A summary of key findings and policy recommendations distilled from each session, combinations of sessions, papers, and keynote speeches.
- b. The proceedings of the webinars, incorporating relevant comments and feedback from peer review and webinar participants will be published after the episode or quarter.
- c. Presentation of these findings and recommended solutions will be made to relevant governments agencies, ministries and parastatals as well as other identified stakeholders.
- d. Our inhouse team will track results of the webinar series, and make updates available to subscribers and stakeholders.

Date: August 7th 2021  
Time: 12 noon (US & Canada)  
5pm (WAT)

Topic:  
Topic: Strategising to  
Optimize Trading with  
AfCFTA: What SMEs Must  
Know

## Talking Trade with Olufemi Boyede Webinar Series

### The Premise

According to David Suzuki, "Global Trade has advantages. For starters, it allows those of us who live through winter to eat fresh produce year-round". Investopedia posits that international trade allows countries to expand their markets and access goods and services that otherwise may not have been available domestically. Trade is the most proven potent catalyst for economic reconstruction and recovery.

But trade is competitive. The international trade space is a battlefield raging with fierce competition for market share and countries must arm their (trade) soldiers with the best weapons in order to succeed in this economic environment. Providing such support has been the major enabler of the success of those countries controlling the trade space, and a herculean task for economies in transition or development as they struggle to play in the space. Orchestrating a healthy environment for trade by regulating the imbalance in this competition is one of the major missions of the World Trade Organization. Securing a fair share of the space is the major reason for specialized trade blocs and preferential trade agreements. To succeed, a player, a firm or a nation in this battlefield must arm itself with all the information they can get. The developing economies in particular, must understand how the game is played and how they can enhance the competitiveness of their traders.

Talking Trade with Femi Boyede has been set up to discuss, in a professional manner the various angles related to all the issues that a firm, an individual, or a country can expect to confront as they design, implement or modify their strategic process to manage the trade. It is a virtual platform for engaging discussions on international trade from its components, through the values it offers to individuals, corporations, and countries, reducing poverty, creating employment, growing national economies, increasing corporate profitability, etc).

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#### Guest Speaker

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#### Host

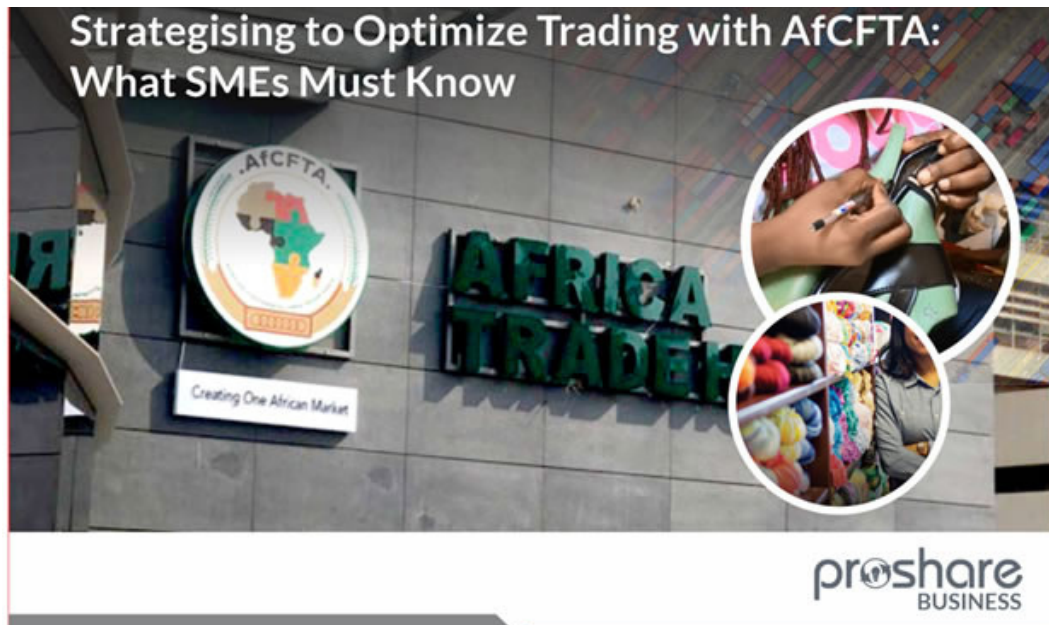
**Olufemi Boyede, CITP  
CEO KGS & FemiBoyede  
Consulting**



#### Moderator/Anchor

**Lady Kay  
Immediate past  
president, Nigerian-  
Canadian Association,**

<https://bit.ly/AfCFTAForSMEs>



**Strategising to Optimize Trading with AfCFTA: What SMEs Must Know**  
 Sunday, Aug 01, 2021 / 09:06 AM / by Olufemi AWOYEMI with inputs from Proshare Research / Header Image Credit: Ecographics

*...as we trade more among ourselves, African businesses will become bigger, more specialised, and more competitive internationally.*

- Paul Kagame, Chairperson of the AU and President of Rwanda

**AfCFTA and SMEs... An independent survey finding.**

The Africa International Trade & Commerce Research, GIGI, and NOIPolls (2018) conducted a survey on Potential Benefits of the African Continental Free Trade Area (AfCFTA) in Nigeria.

The survey sampled 512 companies across all geopolitical zones of Nigeria: 70% are small-scale businesses (10-49 employees), 20% are medium-scale businesses (50-199 employees) and 10% are large businesses (200 or more employees).

The survey made the following findings:

94% of the businesses in Nigeria are aware of AfCFTA and the signing of the agreement. The awareness is uniform across firm sizes and sectors.

55% of the businesses believe the Nigerian business environment is currently hostile (unsupportive).

Power supply, taxes and tariffs, access to credit, and road infrastructures are the top four challenges of the Nigerian business ecosystem.

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The sampled businesses believe the top three advantages of AfCFTA are a better business environment, promotion of local business, and business expansion.

The top three disadvantages of AfCFTA are the influx of sub-standard goods, discouragement of local businesses, and loss of revenue for Nigeria. The top three sources of uncertainty are possibilities that AfCFTA will boost the economy, the need for time to understand its impacts, and the chances of the collapse of local industry.

Overall, 78% of the businesses believe that AfCFTA will make a positive impact on local businesses; 10% believe that the impact will be negative while 12% believe it will have no impact.

Over 50% of the businesses believe the country does not have the infrastructure necessary to reap the benefits and gains of AfCFTA.

The consensus among researchers and analysts is that the benefits of AfCFTA for businesses and the economy depend on what and how each party handles the unique opportunities.

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#### What the Data Says about SME's in Nigeria

SMEs are the backbone of many developed economies: they are important contributors to employment, output growth, and trade expansion. The National Bureau of Statistics (NBS) and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) indicates that SMEs in Nigeria accounts for about 96% of registered Nigerian businesses, employ about 75% of the national labour force and contribute 48% to the country's Gross Domestic Product (GDP).

According to Kale (2019), between 2013 and 2017, Nigerian SMEs contributed about 50% to the nation's GDP, accounted for about 50% of industrial jobs and about 90% of manufacturing enterprises.

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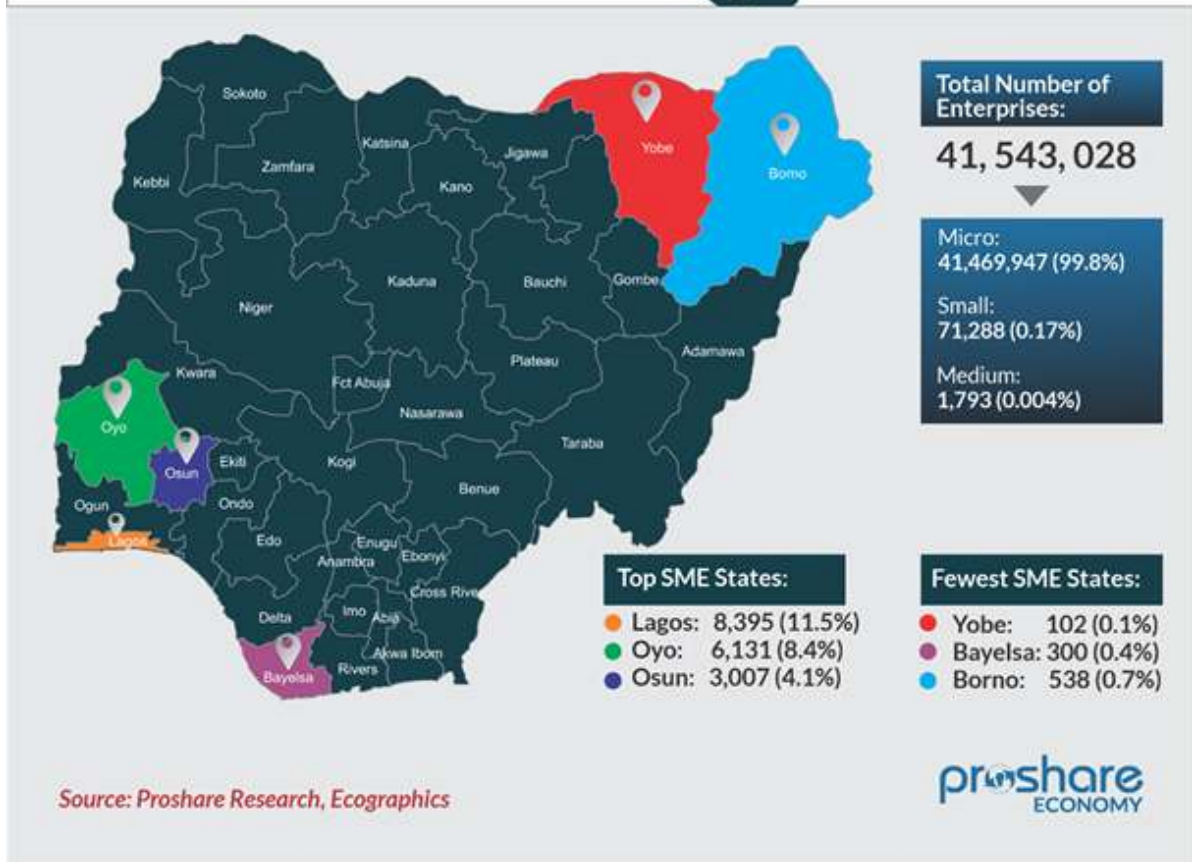
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# OVERVIEW OF SMEs IN NIGERIA



- In terms of business types, the composition of SMEs is different depending on the business type and staff requirements. The MSMEs national survey 2017 shows that education, manufacturing, and wholesale/retail trade make up 68% of small-scale enterprises in Nigeria while manufacturing, wholesale/retail trade, and human health & social works make up 68% of medium-scale enterprises.
- In terms of ownership structure, SMEs ownership is unevenly distributed with 65% own by a sole proprietorship, 21% by private limited liability, 6% by faith-based, and 5% by partnerships.

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- While micro businesses are mostly owned by young Nigerians within 26 - 50 years, SMEs are majorly owned by older Nigerians with 36 years and above accounting for over 88%.
- In terms of education, 51% of SMEs' owners have a bachelor's or Masters' degree while 72% of SMEs' employees have at least an NCE/ND certificate. Thus, both owners and employees are educated alike.
- In terms of employment, males accounted for 57% of jobs in SMEs while 43% are women. The educational sector is the only sector with far gender parity in jobs while manufacturing employs 3 times more men than women.
- In terms of startup capital, 75% of SMEs startup with a capital of less than N10million, and the majority of micro-scale enterprises startup with capital less than N50,000.
- In terms of source of capital, the majority of SMEs had personal savings as the common source of capital. Only 49.5% of SMEs had access to bank credits, majorly from commercial banks.
- In terms of financial and support services, 65% of SMEs in Nigeria have no business plan and 64% are uninsured which contributes to a high rate of failure and lack of access to capital.
- In terms of priority areas, access to finance, power, water supply, and tax rate reduction top the priority area of assistance for SMEs in Nigeria.

### The Birth of the African Continental Free Trade Area (AfCFTA)

The ideal of Continental Free Trade Area (CFTA) in Africa was conceptualised during the 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union (AU) in January 2012. The Union adopted the decision to establish the African Continental Free Trade Area in 2017. Ultimately, the AfCFTA agreement was signed in March 2018 by 44 countries and became effective in May 2019. The basic tenet of the negotiation and agreement is to progressively eliminate tariffs and non-tariff barriers in trade among the member states (see Table 1).

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Table 1: AfCFTA Meaning in Actual Terms.

Headline	Summary
<b>Concept</b>	AfCFTA is a free trade area where African businesses, traders, and consumers will no longer pay tariffs on a large variety of goods that they trade with other countries in the continent.
<b>Objective</b>	To deepen African economic integration through a single market for goods and services and promote industrial development through diversification and regional value chain development.
<b>Trade Facilitation</b>	Businesses constrained by non-tariff barriers, such as excessive customs procedures or burdensome paperwork, will have a platform through which such barriers are reduced significantly.
<b>Capacity</b>	AfCFTA is the world's largest free trade area since the formation of the World Trade Organization. It covers a market of 1.2 billion people with a GDP of \$2.5 trillion, across all 55 member states of the African Union.
<b>Scope</b>	AfCFTA covers trade in goods and services; and trade dispute resolution; investment; intellectual property rights; competition policy; and e-commerce.

Specifically, the AfCFTA negotiations are in three phases. Phase I, the foremost negotiation which officially entered into force on May 30th, 2019, covers protocol on trade in goods, protocol on trade in services, and protocol on dispute settlement. January 1st, 2021 marked the official start of trade in goods under AfCFTA. However, negotiations on some issues of Phase I are still ongoing such as rules of origin, schedules of tariff concessions, and schedules of commitments on priority service sectors (business services; communications; finance; tourism, and transport). The Manufacturers Association of Nigeria (MAN), a key stakeholder, represents that the phase 1 is about 97 per cent completed; even as it notes that member country like Ghana has entered into an agreement with the EU that kicked off on July 1 based on a 80/20 rule and not the 90/10 rule AfCFTA expects.

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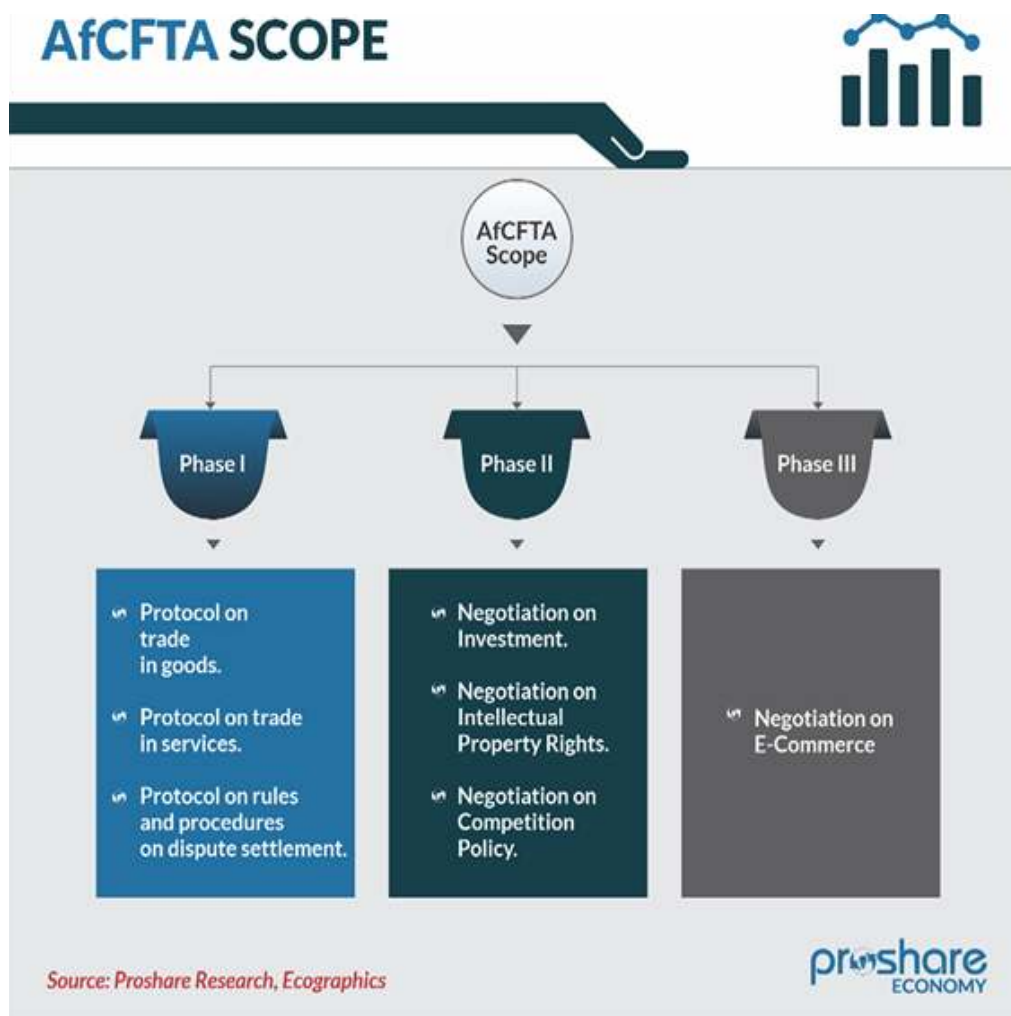
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Phase II of the AfCFTA negotiation covers intellectual property rights; investment; and competition policy. The Phase II negotiation will complement the existing agreement on Rules of Origin and Tariff Concessions. Phase III negotiation, covering E-commerce, is set to commence immediately after the finalisation of Phase II issues into protocols. The broad scope of the AfCFTA negotiations underscores the intended depth of the African economic integration. These last two phases will provide to be very crucial for the new economy sovereigns in Africa, especially Nigeria seeks to build competitive advantages in. It would involve a lot of heavy lifting to get us to speed.



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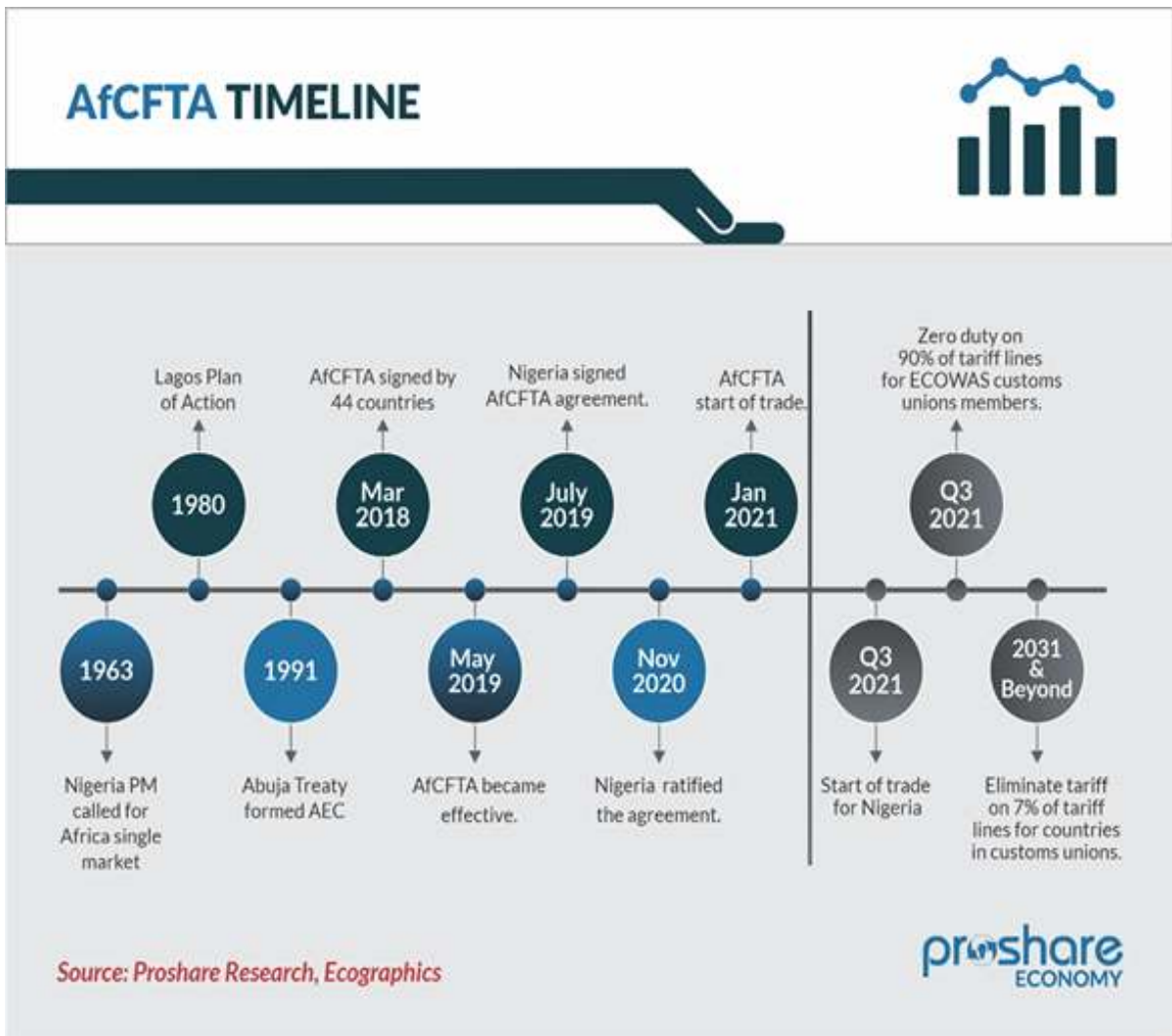
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Notably, the AfCFTA is in furtherance of the Abuja Treaty which led to the formation of the Africa Economic Community on June 3rd, 1991. The Treaty had among its objectives; the strengthening of Africa's regional economic communities; establishment of a free trade area; common external tariff and common market; gradual removal of obstacles to the free movement of persons; goods; services; capital and the right of residence and establishment.



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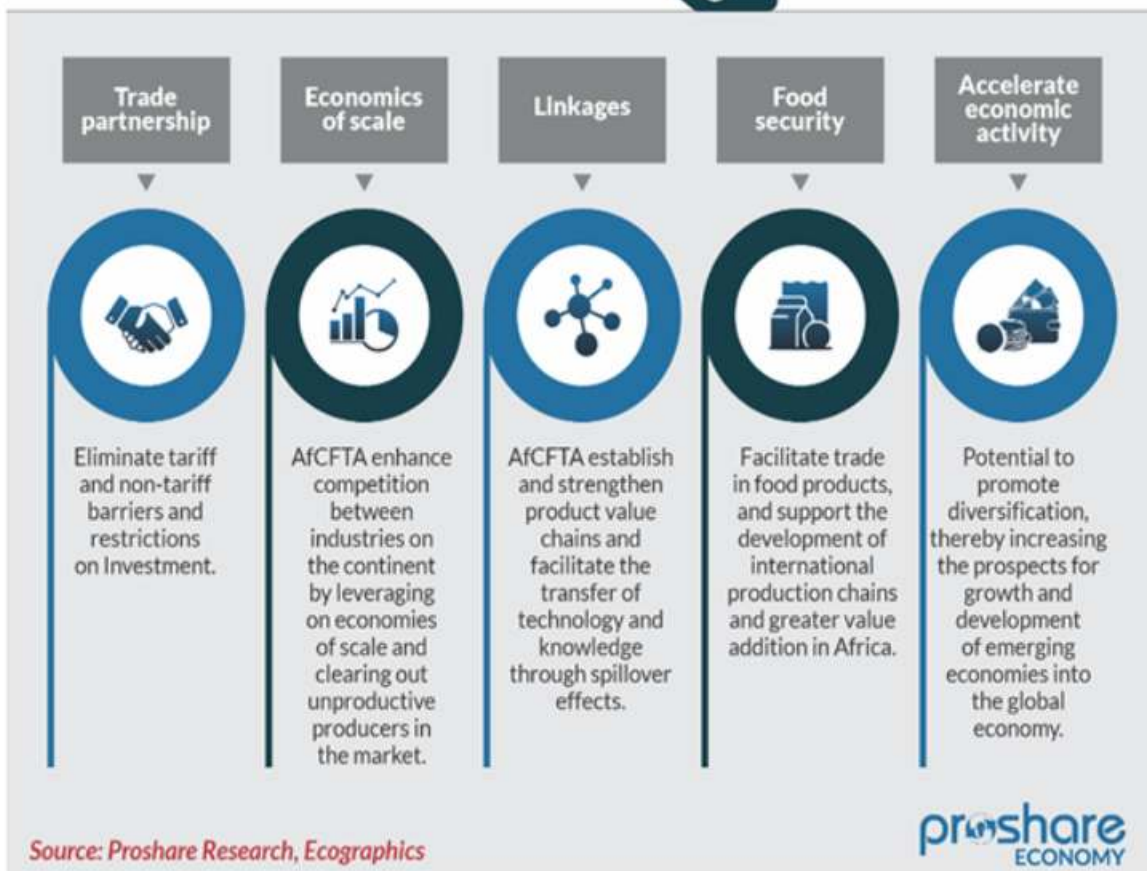


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According to UNIDO (2019), when effectively implemented, AfCFTA should spur the industrial revolution of Africa, as well as boost trade and investment between countries and existing regional economic communities. It should generate prosperity for citizens and traders in line with the 2030 Agenda for Sustainable Development and the Africa Union's Agenda 2063 "The Africa We Want".

**AfCFTA's Opportunities for Trade Optimisation**

**OPPORTUNITIES OF THE AfCFTA**



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**More promises of the AfCFTA:**

- The expansion of Nigerian banks across Africa will facilitate cross-border transactions in multiple countries. It will also provide opportunities for Nigeria's FinTech companies to provide technical services and consultancy for the continent.
- Increasing trade through the AfCFTA will motivate reforms that boost productivity, job creation, and reduce poverty.
- AfCFTA will introduce regulatory measures such as sanitary standards, product standards and regulations, and rule of origin compliance to curb predatory practices.
- AfCFTA provides an opportunity to harmonise regulation in important trade-related policy areas that have not been substantially addressed at the regional level such as investment, competition, intellectual property rights, and e-commerce.
- According to World Bank (2020), AfCFTA at implementation will increase the volume of intra-African trade by 81% by 2035 and increase the volume of total African exports by 29%.
- By fostering regional value chains and production networks and boosting intra-African trade, AfCFTA is expected to drive Africa's structural transformation.
- AfCFTA implementation will also increase wages by 10%, with larger gains for unskilled workers and women. That is, AfCFTA is expected to address gender inequality in Africa by increasing employment opportunities for women and helping to lower the gender wage gap on the continent
- World Bank (2020) estimated that AfCFTA will increase total exports by almost 29%, intra-Africa manufacturing trade will increase by 110%, and manufacturing exports to the rest of the world will rise by 46%.
- The World Bank also estimated that with the implementation of the AfCFTA agreement, agricultural trade would represent 49% for intra-African trade and 10% for extra-Africa trade. The gains in services trade would be much smaller at about 4% overall and 14% intra-African trade.

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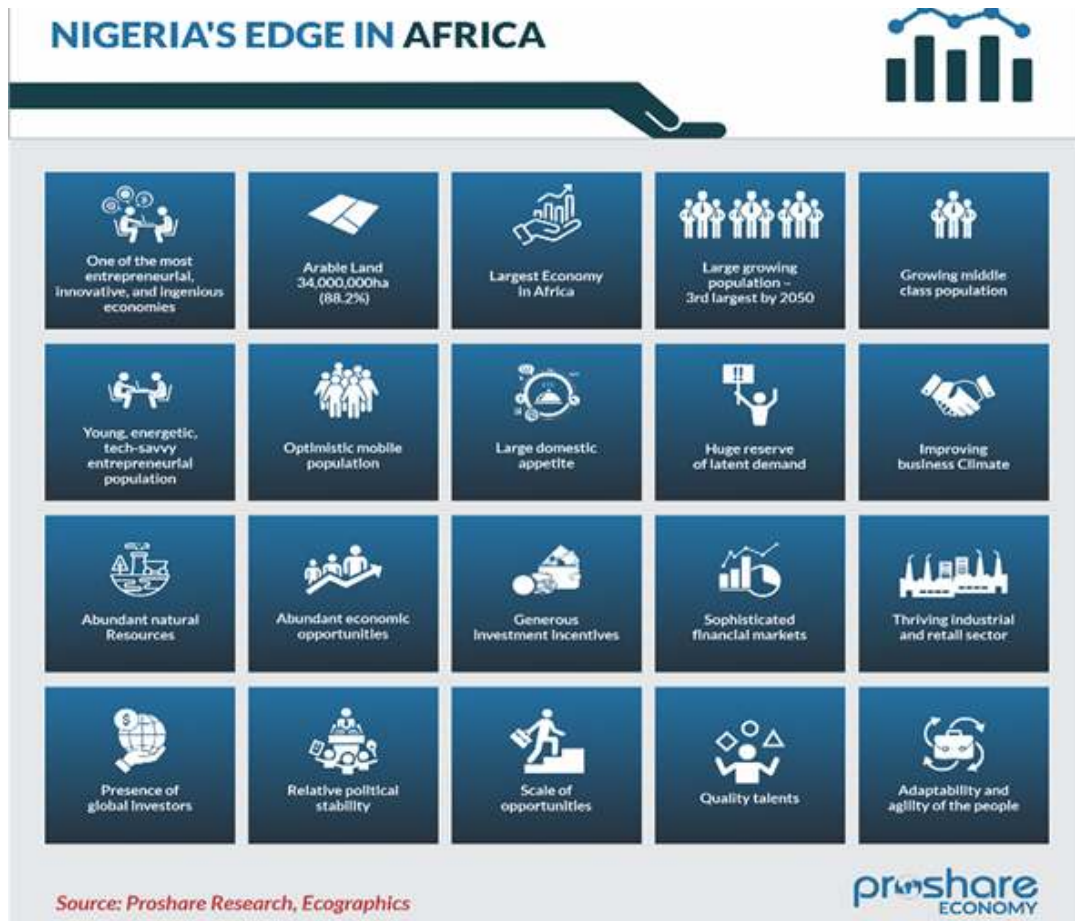


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## Optimising Trade in the AfCFTA... Strategies for SMEs

Small businesses are catalysts for sustainable development. According to Ogunyemi (2017), the following features make SMEs the key drivers of the market and economic development:

- i. SMEs' production activities are labor-intensive they use a high quantity of human resources thereby promoting employment and reducing inequality in income distribution.
- ii. They encourage entrepreneurship.
- iii. Low startup capital is needed.
- iv. They promote technological development through inventions, adaptations, adoptions, and modifications.
- v. They are the foundation and catalyze for industrialization.



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- vi. They foster diversification of industry and enhance even development.
- vii. They increase productive capacities and provide linkages between micro and large-scale businesses.
- viii. They promote homegrown entrepreneurship and businesses through expansion and diversification.

**SMEs as in larger businesses in Nigeria have what it takes to compete in the international market, but without the requisite awareness and strategy, it may be difficult to benefit from any available opportunities. Thus, to ensure that SMEs fully take advantage of the African Continental Free Trade Area, SMEs need to understand what the AfCFTA entails, what future negotiations cover, and how to position the business to harness the evolving opportunities. To do these, the SMEs need to assess the opportunities, develop workable strategies, and address the challenges that may battle their way to success.**

**The opportunities under AfCFTA have presented themselves. The trick is with the business owners, the investors, and the government representation to strategise or re-strategies to optimise the trading opportunities with the AfCFTA. The quest becomes a game of strategy. Just as bigger countries may benefit more from selling industrial goods to a wider market and smaller countries may benefit more by feeding the regional value chain, SMEs need to understand where they can fit in. AfCFTA gives SMEs the opportunities to grow beyond the domestic market. First, to the regional market and then climb the ladder to the continental and global market.**

**Eventually, the quest to optimise trade with AfCFTA will be based on competitive among SMEs of member countries and the outcome will depend on whose strategy is tighter. This is because SMEs across African countries supply closely similar primary products and face almost similar challenges. For Nigerian SMEs to optimise trade under AfCFTA, few key strategies necessarily come to play.**

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## Prioritise Information and Collaborate with Policymakers

According to Gordon Gekko of Wall Street, the most valuable commodity in the 21st century is information. The opportunities you are aware of, you can harness, the ones you are not aware of, you miss out. Many efforts are underway at the continental and national levels to position SMEs in Africa to tap into the benefits and opportunities of the AfCFTA. According to ITC (2018), more than 40% of African companies identify lack of access to information and absence of inquiry points as factors affecting the business environment across the continent.

The AfCFTA secretariat has a trade observatory platform which is a central repository providing exhaustive qualitative and quantitative trade data and information for the private sector to make data-based business decisions. The AU Commissioner for trade and industry, Amb Albert Muchanga also noted that the AfCFTA secretariat had requested the United Nations Economic Commission for Africa (UNECA) to undertake a study of how SMEs can be mainstreamed into the AfCFTA. The purpose is to facilitate their growth in terms of training on bookkeeping, business registration, tax compliance, marketing, and how to make returns, all of which such SMEs can leverage to assess finances. SMEs that are updated on requisite information can take advantage of such training.

In Nigeria, the Presidential Steering Committee (PSC) has launched a SMEs aggregation module that would facilitate the formalization of operators in the informal sector to enable them to enjoy tax rebates and value chain priority available for participants in the AfCFTA. The PSC is also working with several federal government agencies, including the Nigerian Export Promotion Council, the NEXIMBANK, and the Bank of Industry (BoI), among others to help mobilise local businesses to increase their capacity in readiness for the continental African economic bloc. These formalizations and engagements with public sector agencies strengthen the capacity of SMEs to harness available opportunities.

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The policymakers' role in this is to create an enabling environment that promotes the development of regional value chains and builds the foundations for comprehensive continental integration. SMEs that intend to optimise trade under AfCFTA should constantly engage and collaborate with the policymakers to update and review developments on the AfCFTA implementation and start of trade.

#### **Produce What Africans Need**

Trade thrives when countries manufacture or process what their trading partners demand. This, however, is not the situation amidst Africa countries with many African countries manufacturing or processing goods for markets outside the continent and the continental input-output matrix remains full of wide gaps that signify a lack of complementarity of production or processing activities across the continent.

The continent has underperformed in terms of trade relations within its boundary over time. Africa produces what it does not consume and consumes what it does not produce, thereby exporting little or exporting most of its resources to non-African markets and importing most of its goods and services from non-African economies.

Following the example of regional integration in Southeast Asia, SMEs should adopt a pan-continental strategy. The pan-continental strategy involves developing businesses that are designed to provide goods and services that meet the continental needs and the standards of countries across the continent.

A forward-looking strategy for SMEs "now" will be to research the acceptable standards in different countries across the African continent. This prepares the business for a pan-continental strategy at the start of trade in the country. Aside from giving the business wider acceptance, it is a viable strategy for expansion and new business creation on foreign soil.

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The African Trade Observatory, the trade information portal, has as one of its priorities the provision of trade statistics and information about exportable goods and services and importable goods and services. The idea is for potential traders to know what is needed and where as well as where they can source resources. According to the AfCFTA secretariat, the portal will provide up-to-date and reliable information. A quick optimization strategy is for SMEs to begin to explore the platform for goods and services with high demand to restructure and redesign their businesses in preparation for trading under the AfCFTA.

#### **Make Data-driven Decision Making**

Data-driven decision-making (DDDM) is the process of making business decisions based on actual data rather than perception or observation. SMEs that intend to optimise trade under AfCFTA need to set specific business objectives, garner relevant data, analyse the data, and plan their trade strategies based on the conclusions drawn. SMEs that have the plan to introduce their goods and services to foreign markets should research the continental market and leverage the evidence generated within the continent to explore the market.

Such an approach introduced SMEs to strategies of adapting to various business climates with different cultures, social, and economic values other than that of their base country. Thus, SMEs that intend to optimize trade in the AfCFTA should prioritise research into the new environment on the continent. A research-based organisation such as Proshare Nigeria will do well in helping to research the market.

#### **Challenges of Trade Optimisation for Small Businesses in the AfCFTA**

Despite the numerous benefits and opportunities open to SMEs within the AfCFTA, such businesses may still be limited by certain challenges which could undermine their trade optimizations (See Table 2).

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**Table 2: Challenges of trade optimization for SMEs**

Challenges	How they occur...
<b>Production Capacity</b>	Deficiency in human and production capacity compared with larger corporations.
<b>Productivity Issues</b>	Low adaptation to technology and best practices.
<b>Infrastructural Deficits</b>	Inadequate infrastructures and inefficient logistical operations.
<b>Funding Constraints</b>	Difficulties in accessing trade finance hinder participation in trade.
<b>Regulatory Issues</b>	Weak and obsolete law.
<b>Predatory Practices</b>	Rule of origin abuses, smuggling, dumping, IPR infringements, etc.
<b>Foreign competition</b>	Loss of sales to foreign traders with a cost advantage.
<b>Insecurities</b>	Farmers/herdsmen clashes, kidnapping, waterway pirates, terrorism, etc.
<b>Loss of Intellectual Property Right</b>	Weak enforcement of patent laws.
<b>Labour Issues</b>	Labours may work for lesser rights and protections to surviving in the competition.

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**Topic: Strategising to Optimize Trading with AfCFTA: What SMEs Must Know**

**Date: 7th August 2021;**

**Time: 5pm WAT, 12 noon US & Canada**



Guest Speaker  
Olufemi AWOYEMI B.Sc.  
(Hon), FCA, FCTI, FIoD, FIMC

**Nonetheless, no challenge is insurmountable. With requisite information and right strategy, these challenges can be resolved. Development and implementation of the right strategies remain the ultimate way forward for SMEs in Nigeria and other African countries to optimise trading with AfCFTA.**

### **Closing Thoughts**

**AfCFTA is an instrument for small and medium scale enterprises in Africa. AfCFTA succeeds when it is leveraged by small-scale businesses, traders, investors, and consumers to trade in the continent. However,...**

- **The government still needs to continuously sensitize the private sector on the prospects and opportunities of AfCFTA. The government also needs to continuously negotiate for new opportunities and establish new trade collaborations for small and medium scale enterprises in the country.**
- **Given that negotiation for some AfCFTA protocol is still ongoing, active involvement of the small and medium scale enterprises in advocacy will ensure viable inputs that can promote SMEs in the AfCFTA agreements.**
- **Government and private sector need to collaborate on strategic actions to identify and boost investment and engagement in target sectors for the nation and the subnational.**
- **To fully optimize trade in the AfCFTA, member country has to prioritize the development of implementation strategy. The strategy has to identify the comparative advantageous sector, current business constraints, and how to optimize the AfCFTA opportunities.**

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# Video



Video - Keynote Presentation  
Webinar 3: Strategizing to  
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