



# Nigeria's Engagement with the BRICS Alliance: Trade, Opportunities, Challenges, and Policy Directions

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## Executive Summary

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*This policy brief provides an in-depth analysis of Nigeria's engagement with the BRICS alliance, focusing on trade, political perspectives, and macroeconomic implications. It highlights the opportunities and challenges that Nigeria may face as it deepens its relationship with the BRICS countries and recommends strategic policy directions to maximize benefits while mitigating potential risks.*

The BRICS alliance was initially coined by Jim O'Neill of Goldman Sachs in 2001, referring to Brazil, Russia, India, and China as the world's fastest-growing economies (O'Neill, 2001). South Africa joined the group in 2010, completing the current BRICS acronym. Over the years, these countries have evolved from an investment concept to an intergovernmental cooperation platform, creating alternative financial and political forums such as the New Development Bank (NDB) in 2014 and the Contingent Reserve Arrangement (Stuenkel, 2015).

The evolving geopolitical dynamics highlighted by the growing influence of BRICS nations and the alarming silence of BRICS members in the advent of the Russia-Ukraine war signals a shift away from the traditional Western-led global order. BRICS countries aim to present themselves as an alternative to the G7, leveraging their combined economic and political clout to reshape international norms and institutions. They have already made significant strides, such as creating the NDB to offer an alternative to the World Bank and IMF, which has garnered interest from other emerging economies.

However, the varying economic performance and political orientation within the BRICS nations could pose challenges, as seen with the economic stagnation of some members and the geopolitical implications of Russia's actions in Ukraine.

Nigeria, Africa's largest economy, can benefit from increased engagement with BRICS countries in terms of trade, investment, and diplomatic support. The country's current trade with BRICS countries accounts for approximately 32% of its total trade, with China being its largest trading partner (National Bureau of Statistics, Nigeria, 2021). Expanding trade with BRICS countries can help Nigeria diversify its export market, reduce dependence on oil revenues, and promote economic growth. Nigeria's trade with China accounted for 29.3% of its total trade in 2020, followed by India at 9.6%, South Africa at 1.9%, Brazil at 1.1%, and Russia at 0.4% (National Bureau of Statistics, Nigeria, 2021).

Increased engagement with BRICS can boost Nigeria's trade in sectors such as agriculture, manufacturing, and services and attract investments in infrastructure, energy, and technology. However, Nigeria faces significant macroeconomic challenges, including high levels of public debt, exchange rate volatility, and an impending transition in governance.

Whether it would be wise for a country to join the BRICS alliance depends mainly on its specific circumstances, such as its economic health, geopolitical alignment, and developmental aspirations.

Countries with negative experiences with IMF and World Bank policies may find the BRICS approach more appealing, promising a more equitable and less austerity-focused development path. However, joining an alliance with BRICS may also have political implications, especially considering the group's increasingly complex relations with Western powers. Countries may need to consider their long-term political and economic interests and potential diplomatic fallout before joining the BRICS alliance.

In an economic context, the potential for increased trade with BRICS countries presents Nigeria with many benefits. One of the primary advantages would be the diversification of Nigeria's trade markets, which could reduce economic vulnerability and enhance resilience to global economic shocks. Furthermore, accessing the extensive consumer markets in BRICS nations could increase demand for Nigerian goods and services. Moreover, trade relations with BRICS could facilitate the export of value-added products, thereby fostering the development of manufacturing and other high-value sectors within the Nigerian economy. Enhanced trade ties could also pave the way for technology transfers, knowledge exchange, and capacity building, further strengthening various sectors within Nigeria.

Concerning investment opportunities and infrastructure development, BRICS nations, through institutions such as the New Development Bank, could offer Nigeria alternative avenues for financing. Such financial resources are instrumental in the execution of infrastructural projects, which are critical for Nigeria's economic growth and diversification efforts.

Furthermore, direct investments from BRICS countries could stimulate the creation of jobs, invigorate local industries, and promote technological innovations, thereby contributing to economic development.

On the diplomatic front, engaging with the BRICS alliance could provide Nigeria with substantial support concerning regional and global issues. Areas such as counter-terrorism, climate change, and trade negotiations are arenas where diplomatic backing from BRICS countries could significantly bolster Nigeria's position and influence. However, Nigeria must maintain caution and strategic foresight when aligning with BRICS countries. The geopolitical interests of these countries may not always be congruent with Nigeria's national priorities or regional stability. Hence, careful consideration and negotiation are paramount to protecting and advancing Nigeria's interests.

Nigeria's engagement with the BRICS alliance presents a unique set of factors and implications that distinguish it from alliances with the Western world. Beyond the use of the U.S. dollar, several other dimensions highlight these differences:

**Development Philosophy and Approach:** BRICS nations often emphasize a more equitable and multipolar world order, challenging the traditional dominance of Western powers. Their development philosophy focuses on mutual respect, non-interference, and South-South cooperation, which contrasts with the conditionalities, and policy prescriptions often associated with Western aid and investment. This philosophy could offer Nigeria alternative pathways for development that align with its developmental aspirations.

**Cultural and Regional Alignment:** The BRICS alliance consists of countries from diverse cultural, historical, and regional backgrounds. This diversity provides an opportunity for Nigeria to foster relationships with countries that may share more cultural and regional affinities, potentially facilitating smoother diplomatic negotiations and collaborations in various areas.

**Geopolitical Considerations:** Engaging with BRICS nations may allow Nigeria to position itself as a player in global geopolitics, representing a departure from its historical alignment with Western powers. This shift could enhance Nigeria's diplomatic influence and provide opportunities for leadership in shaping new international norms and institutions that challenge the Western-dominated status quo.

**Focus on Infrastructure and Investment:** BRICS countries often prioritize investment in infrastructure and development projects, aligning with Nigeria's need for significant infrastructural improvements. The New Development Bank, established by the BRICS alliance, offers an alternative source of financing for such projects, potentially reducing Nigeria's reliance on Western institutions.

**Diversification of Economic Partnerships:** Engaging with BRICS nations offers Nigeria the opportunity to diversify its economic partnerships beyond traditional Western trading partners. This diversification could reduce economic vulnerabilities stemming from overdependence on a single group of countries and contribute to a more balanced and resilient trade portfolio.

### **Role in Global Governance Reforms:**

BRICS nations aim to reform global governance institutions to be more representative and inclusive. Nigeria's engagement in this alliance could provide it with a platform to advocate for reforms that better reflect the interests and needs of African nations on the global stage.

### **Potential for Technological Exchange:**

The BRICS alliance includes countries with rapidly growing technological capacities. This presents an opportunity for Nigeria to access technology transfer, knowledge exchange, and capacity-building initiatives that could accelerate its technological development.



When considering Nigeria's engagement with the BRICS nations, several potential challenges and risks must be evaluated from an economic perspective. Additionally, the evolving economic landscape adds an element of complexity that demands strategic consideration.

Geopolitical considerations play a crucial role. Nigeria must remain vigilant of possible geopolitical hazards when interacting with BRICS nations. This caution is necessary because the geopolitical interests of BRICS nations may not always harmonize with Nigeria's national objectives or regional stability. Such divergence of interests could lead to conflicts and other adverse outcomes.

Furthermore, the growing trade relations with BRICS nations could contribute to a gradual shift away from transactions dominated by the U.S. dollar. Primarily, if BRICS countries advocate for using their currencies in bilateral and multilateral trade agreements, this could challenge the longstanding dominance of the U.S. dollar in global trade and finance (Subacchi, 2015).

Additionally, there have been rumours of a potential BRICS currency. If such a currency comes to fruition, it could shift the balance of power in global finance. While it is uncertain how this would interact with the proposed ECO currency, these developments could significantly alter the existing financial order. Secondly, the issue of export diversification is significant. While increased trade with BRICS nations can offer various benefits, it might also intensify Nigeria's dependence on commodity exports. This reliance could leave the Nigerian economy vulnerable to price shocks and fluctuations in external demand, thereby introducing additional economic instability. Therefore, Nigeria must diversify its export portfolio to mitigate such risks. Regarding environmental and social concerns, Nigeria must ensure that any investments from BRICS nations conform to rigorous environmental and social standards. Failure to do so could negatively impact local communities and ecosystems, potentially leading to social unrest and environmental degradation. Thus, Nigeria must work with the BRICS nations to ensure high environmental and social standards in their investments.



Lastly, debt sustainability is a critical issue that Nigeria needs to manage carefully. As the country seeks financing opportunities from the BRICS alliance, it must be cautious about its debt profile. Overborrowing could jeopardize Nigeria's debt sustainability, potentially leading to economic crises and fiscal instability. Therefore, prudent debt management strategies are crucial to ensure that Nigeria maintains a sustainable debt profile while exploiting financing opportunities from the BRICS alliance.

These possibilities underscore the importance for Nigeria and other West African nations to carefully consider their economic strategies and alliances in the face of such transformative changes in the global economic landscape. It is imperative that Nigeria's engagement with BRICS countries is approached with a clear understanding of potential benefits, risks, and the evolving financial dynamics that could shape the future economic order.

**Diversifying Trade and Bolstering Economic Ties:** Nigeria is in a position to diversify its trade and strengthen its economic ties with BRICS countries. This can be done by establishing trade agreements that foster market access and diversification while protecting local industries with fair trade practices. In addition, promoting joint ventures and partnerships between Nigerian and BRICS companies could facilitate technology transfer and capacity building, underpinning the domestic industry.

**Enhancing Domestic Competitiveness and Value Addition:** Nigeria needs to enhance domestic competitiveness and promote value addition to compete effectively in the global market. This can be achieved by implementing policies and incentives to stimulate local production, develop competitive industries, and increase the value addition of products. Concurrently, investing in human capital, skills training, and research and development initiatives will equip Nigeria with the necessary tools to compete globally.

**Balanced International Relations:** A balanced approach is essential for Nigeria in international relations. Engaging with both BRICS and traditional Western partners will help to optimise benefits and mitigate risks. Collaborative efforts on shared global challenges such as climate change, public health, and security issues can foster stronger relationships and yield mutual benefits.

**Upholding Good Governance and Transparency:** Adherence to good governance and transparency principles is a cornerstone of Nigeria's engagement with the BRICS alliance. It is crucial to monitor and evaluate the impact of trade and investment initiatives on local communities, the environment, and sustainable development outcomes to ensure long-term positive impacts.

**Managing Macroeconomic Implications and Debt Profile:**

Managing macroeconomic implications and the debt profile is another critical aspect of Nigeria's engagement with BRICS. Careful monitoring of borrowing from BRICS countries is required to ensure debt levels remain sustainable. Coordinating with the Central Bank of Nigeria to observe the effects of increased trade with BRICS countries on the foreign exchange market and the domestic currency is also paramount.

**Institutionalising the BRICS Engagement Strategy:**

Institutionalising the BRICS engagement strategy ensures continuity in trade, investment, and diplomatic initiatives. Developing a long-term strategy that can withstand policy shifts during governance transitions will provide stability. Fostering a bipartisan consensus on Nigeria's engagement with BRICS countries is essential for the long-term success of this strategic engagement.

## Conclusion

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- Nigeria's engagement with the BRICS alliance offers significant trade, investment, and diplomatic support opportunities. However, it also presents potential risks and challenges that require careful management and strategic planning.
- By adopting a balanced approach to international relations and implementing targeted policy measures, Nigeria can maximize the benefits of its engagement with the BRICS countries while mitigating potential risks and safeguarding national interests.

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The NESG is an independent, non-partisan, non-sectarian organisation, committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought to explore, discover and support initiatives to improve Nigeria's economic policies, institutions and management.

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