



Heavy Load on Nigerian Foreign Exchange Due to Unregulated Fish Importation

Sule Abiodun

Niomr Research, Lagos, Nigeria

ABSTRACT

Fishing demand in Nigeria on an annual basis is estimated to be 3.32 million, which is really high when the population is put into consideration, yet the domestic production of fish is estimated to be 1.12 million metric tonnes. From this estimate, a deficit of 2.2 million metric tonnes is revealed, and to meet up with this demand, fish importation is adopted. Most time the importation is unregulated resulting in heavy load on Nigerian foreign exchange. This study specifically investigated heavy load on Nigerian foreign exchange due to unregulated fish importation. Descriptive research survey was adopted and purposive sampling method was used in selecting two fishing communities in Epe and Ikorodu areas of Lagos state. From these communities, snowballing sampling method was adopted in selecting 200 fishing artisans from both communities to participate in the study. Data was collected by means of self-made questionnaire and the data collected was descriptively analysed using frequency and percentages. The result of this study identified some factors responsible for the importation of fish to include: Weak enforcement of regulation; inadequate fishing vessels and facilities; increased demand for fish products; and the gap between the demand for and supply of fish. The study further revealed that the importation of fish in Nigeria is primarily due to poor regulation and found that unregulated fish importation allows the smuggling of compromised fish which do not meet quality control standards into the country; It causes loss of foreign exchange; It hinders the growth and development of trade in local fish industries; and It leads to growth in trade deficit. Finally, the study revealed the following extent to which regulating fish importation enhances Nigerian Foreign exchange: enhancing employment opportunities; encouraging investment in the fishing sector; promoting entrepreneurship; and encouraging development and expansion of all areas of fish production, aquaculture, artisanal, and industrial fisheries. Based on these findings, conclusions were drawn and recommendations made.

Keywords: heavy load, Nigerian foreign exchange, unregulated fish importation

Introduction

Nigeria is bordered by coastal rivers, swamps, offshore waters and the Atlantic Ocean, yet it is highly dependent on fish importation to meet up with growing demand of fish and is reported to be the fourth largest fish importer, globally. The inability to meet the national demand for fish is ironic, given that of the 36 states in Nigeria, 8 have access to the Atlantic coastline, which is a major fishing resource (Sogbesan & Kwaji, 2018).

Fishing demand in Nigeria on an annual basis is estimated to be 3.32 million metric tonnes (Nigeria Fisheries Statistics report, 2016), which is really high when the population is put into consideration, yet the domestic production of fish is estimated to be 1.12 million metric tonnes. From this estimate, a deficit of 2.2 million metric tonnes is revealed, and to meet up with this demand, fish importation is adopted (Oyinbo & Rekwot, 2013).

The importation of fish in Nigeria seems out of place, given the natural resources available to set up a viable fishing industry to match national demands as well as export to other countries. This gap in production and supply can be attributed to the inadequate support from the government to the fishing sector.

The consistent exploitation of Ocean resources have immense benefits, however, Nigeria has been unable to fully harness the benefits inherent in it. The domestic production of fish in Nigeria is primarily due to artisanal fishery, which is insufficient, given their limited capability to engage in intense commercial fishing. This is not made any better by the contribution of industrial fishing as their output is reported to be low. Factors responsible for this poor output include the inability of people to purchase the equipment and vessels necessary for fishing of such magnitude on the high seas (Olowokeere, 2018).

Unregulated fish importation in Nigeria and weak regulations or policies has contributed to dwindling investment in industrial fishing in Nigeria. These weak and ineffective regulations have been taken advantage of by foreign vessels with the larger fishing capacity to explore the seas and illegally conduct their operations. The magnitude of the sea robbery has discouraged intense fishing exploration in the industry.

The unregulated importation of fish annually is estimated to be more than 2 million tonnes (FAO's 2017 Country Brief on Nigeria) and costing huge amount in dollars. The huge amount expended on importation of fish has repercussions on the growth and development of domestic trade in the fish industry, affects the foreign exchange and harms the economy. The money spent on fish importation can be used in developing the fishing sector and

generally boosting the economy. Given the foregoing, this study seeks to investigate the Heavy load on Nigerian Foreign exchange due to unregulated fish importation.

Statement of research problem

Fish is a significant sea product as it possesses the capacity to improve and sustain food security in isolated communities (Nwabeze& Erie, 2013). The fishery sector is not just capable of providing sources of protein but is also contributory to the country's gross domestic product (Federal Department of Fisheries, 2013). However, this has not really been the case, there is heavy reliance on fish importation to meet domestic demands; which implies that money that could have been invested on domestic growth and development goes into importation, thus impacting negatively on Nigeria's foreign exchange. The management of Nigeria's resources has the potential of creating job opportunities, promoting entrepreneurship and improving the foreign exchange through GDP contribution, and most importantly minimized the need to import fish. Thus, it is the focus of this study to investigate the heavy load caused by unregulated fish importation on Nigerian Foreign exchange.

Research Objective

The specific objectives of the study are to;

1. Identify the factors influencing the fish importation in Nigeria
2. Assess the impact of unregulated fish importation on Nigerian Foreign exchange
3. Determine the extent to which regulating fish importation would enhance Nigerian Foreign exchange.

Research questions

1. What are the factors influencing the fish importation in Nigeria?
2. What is the impact of unregulated fish importation on Nigerian Foreign exchange?
3. To what extent would regulating fish importation enhance Nigerian Foreign exchange?

Literature review

Nigeria is known as the fourth biggest fish importer globally behind China, Japan and the United States respectively, and imports different varieties of frozen fish some of which are croaker, mackerel, herrings, etc from suppliers like Chile, United States, Europe, Asia and some African countries like Algeria, Mauritania and Mauritius (Oluwarore, 2018). Investment in industrial fishing has reduced extensively due to unregulated fish importation and poor government regulations, resulting in the high seas being mostly explored by foreign vessels operating illegally, with larger and more appropriate fishing vessels.

Exchange rate involves the flow of goods and services in any country. There were many policies measure put in place in Nigeria to control excessive demand for foreign exchange and the objectives were to preserve the value of the domestic currency, ensure external balance without compromising the need for internal balance and overall goal of macroeconomic stability and maintain a favourable external reserves position (CBN, 2015). If a country imports more than it exports, there is moderately less demand for its currency, so prices should decline and currency depreciates.

Impact of unregulated fish importation in Nigeria

Health impact: fish is highly susceptible to spoilage once they leave the water. As a result, a lot of imported fish are preserved by freezing method and application of preservatives such as sodium tripolyphosphate (STPP) and sodium benzoate which make them appear firmer, smoother and glossier. Though regarded as safe, STPP poses a health risk that may harm the body's renal function and worsen kidney diseases (Ritz et al, 2012). Smugglers can smuggle compromised fish which do not meet quality control standards into the country which can be sold in the markets and be harmful to consumers.

Socioeconomic impact: Nigeria loses foreign exchange by importing a huge amount of fish annually and continually harming the economy. These losses contribute to stunting the growth and development of trade in local fish industries. The amount of money spent on importation could be directed to internal trade within the local fish industry, so as to boost the industry's efforts and eventually boost the economy.

In Africa, importation of food is part of the top policy concerns due to the observed burden on foreign exchange and the competition with the domestic fish sector (African Development Bank, 2016). In Nigeria, the annual fish demand is projected at 3.4 million metric tons. About 40 per cent of this demand is met locally, while over N125 billion (\$625 million) is expended yearly on fish importation (Abdulkareem, 2021). When a country imports more than it exports, the balance of trade can be distorted and the currency, devalued. This devaluation of currency can greatly affect the day to day life of citizens as the value of a currency is one of the major determinants of the economic performance of a country its Gross Domestic Product as well as interest rates and inflation level (Kramer, 2021). A rise in the level of importation and a growth in trade deficit can have a negative outcome on a country's exchange rate.

Previous studies

Liverpool-Tasie et al (2021) studied the demand for imported versus domestic fish in Nigeria and findings suggested that fish plays a significant role in food and nutrition security in Nigeria, which can be further supported with investment and interventions to intensify supplies of fish and decrease the cost of fish to the consumer particularly in the Northern part where food security is low and still only about 50% of households consume fish.

Obekpa et al. (2020) investigated the influence foreign direct investment (FDI) has on agriculture and exchange rates on the output of the fisheries subsector, using time series data spanning from 1980-2018. Findings showed positive growth in the fisheries subsector as the fisheries subsector was positively affected by exchange rate movements and FDI to agriculture in the long term.

Oluyemi and Essi (2017) researched the effect exchange rates have on imports and exports in Nigeria using monthly data from 1996-2015. Results revealed that exchange rates have a positive and inconsequential effect on imports and a negative and insignificant effect on exports, indicating that import and export activities do not affect exchange rate in Nigeria, nor does exchange rate affect the capacity of imports and exports in Nigeria.

Oyinbo and Rekwot (2013) examined the relationship between fishery production and economic growth. Results indicated that fishery production was not important in influencing economic growth over the period under study and this was ascribed to the low domestic fishery output of Nigeria and the substantial loss of foreign exchange earnings due to the increasing fish importation to bridge demand-supply gap, implying that the unexploited potential for fishery production must be optimally utilized to reduce the loss of foreign exchange in importing fish, providing employment along the fish value chain, contributing to reducing poverty and eventually foster sustainable economic development of Nigeria.

Theoretical framework

The theory of comparative advantage was presented in 1817 by Ricardo, in which he maintained that a country can specialize in producing articles in which she has relatively more advantage and then export to other countries as it is impossible for any nation to produce and absorb every item by itself. The foreign exchange rate between two currencies is denoted as the rate at which one currency is exchanged for the other. The balance of payment (BOP) theory explains the relationship between foreign exchange and trade, as it postulates that a deficit in current account results in the depreciation of domestic currency while a surplus on current account leads to an appreciation of domestic currency in comparison to the foreign currency (Chaudharya et al., 2016). In view of its importance, many countries, under the framework of International Monetary Fund (IMF), undervalued their currency to increase exports and discourage imports so as to correct imbalance in their BOPs.

Methodology

Descriptive research survey was used in this study to investigate the heavy load caused by unregulated fish importation on Nigerian Foreign exchange. Purposive sampling method was used in selecting two fishing communities in Epe and Ikorodu areas of Lagos state. From these communities, using random sampling method, 100 fishing artisans were selected as respondents making a total of 200 respondents. The source of data collection was questionnaire designed with a four scale likert format and distributed to the respondents, with the aid of research assistants. The data collected was descriptively analysed using frequency and percentages.

Data Presentation, Analysis and Discussion

RQ1 What are the factors influencing the fish importation in Nigeria?

Table 1: Factors influencing the fish importation in Nigeria

Statement		SA	A	D	SD	Percentage in agreement
Weak enforcement of regulation	F	88	104	2	6	96.0
	%	44.0	52.0	1.0	3.0	
Inadequate fishing vessels and facilities	F	58	126	6	10	92.0
	%	29.0	63.0	3.0	5.0	
Increased demand for fish products	F	60	114	20	6	87.0
	%	30.0	57.0	10.0	3.0	
The gap between the demand for and supply of fish	F	140	44	12	4	92.0
	%	70.0	22.0	6.0	2.0	

Field Survey, 2021

The first research question investigated the factors that influence fish importations in Nigeria. With above 87% in agreement to all the items in the table above, the following factors are identified as influencing fish importation in Nigeria: Weak enforcement of regulation; inadequate fishing vessels and facilities; increased demand for fish products; and the gap between the demand for and supply of fish. This result is in agreement with that from earlier studies such as Abdulkareem (2021), Liverpool-Tasie et al (2021) and Ritz et al, (2012) respectively.

RQ2: What is the impact of unregulated fish importation on Nigerian Foreign exchange?**Table 2: The impact of unregulated fish importation on Nigerian Foreign exchange**

Statement		SA	A	D	SD	Percentage in agreement
It allows the smuggling of compromised fish which do not meet quality control standards into the country	F	60	114	20	6	87.0
	%	30.0	57.0	10.0	3.0	
It causes loss of foreign exchange	F	140	44	12	4	92.0
	%	70.0	22.0	6.0	2.0	
It hinders the growth and development of trade in local fish industries	F	100	90	6	4	95.0
	%	50.0	45.0	3.0	2.0	
It leads to growth in trade deficit	F	140	44	12	4	92.0
	%	70.0	22.0	6.0	2.0	

Field Survey 2021

Table 2 above presents the respondents' opinions on the impact of unregulated fish importation on Nigerian Foreign exchange. As indicated in the table, all the items received above 87% support which implies that all the statements were accepted as the impact of unregulated fish importation on Nigerian Foreign exchange. Based on the outcome of this study, the following are the impact of unregulated fish importation on foreign direct investment: It allows the smuggling of compromised fish which do not meet quality control standards into the country; It causes loss of foreign exchange; It hinders the growth and development of trade in local fish industries; and It leads to growth in trade deficit. This result confirms the findings of Obekpa et al. (2020) and Oluyemi and Essi (2017) respectively, who also share similar outcome.

RQ3 To what extent would regulating fish importation enhance Nigerian Foreign exchange?**Table 3: The extent to which regulating fish importation enhance Nigerian Foreign exchange**

Statement		SA	A	D	SD	Percentage in agreement
It would enhance employment opportunities	F	100	94	0	6	97.0
	%	50.0	47.0	0.0	3.0	
It would encourage investment in the fishing sector	F	88	104	2	6	96.0
	%	44.0	52.0	1.0	3.0	
It will promote entrepreneurship	F	58	126	6	10	92.0
	%	29.0	63.0	3.0	5.0	
It will encourage development and expansion of all areas of fish production, aquaculture, artisanal, and industrial fisheries.	F	60	114	20	6	87.0
	%	30.0	57.0	10.0	3.0	

Field Survey, 2021

Table 3 above presents the respondents' opinions on the extent to which regulating fish importation enhances Nigerian Foreign exchange. As indicated in the table, all the items received more than 87% agreements in support to the statements. This implies that all the items/statements in the table were accepted. Based on the result, the following are the extent to which regulating fish importation enhance Nigerian foreign exchange: It would enhance employment opportunities; It would encourage investment in the fishing sector; It will promote entrepreneurship; and It will encourage development and expansion of all areas of fish production, aquaculture, artisanal, and industrial fisheries. This result is in agreement with that from earlier studies such as: Obekpa et al. (2020), Oluyemi and Essi (2017), Oyinbo and Rekwot (2013) respectively. These researchers also found regulating fish importation as essential in improving foreign direct exchange in Nigeria.

Conclusion and Recommendations

Naturally endowed with many coastal rivers, swamps, offshore waters and the Atlantic Ocean, Nigeria constitutes a major home for fish. However, till date, more than 80% of fish consume in Nigeria is imported (Sogbesan&Kwaji, 2018). Fishing demand in Nigeria on an annual basis is estimated to

be 3.32 million metric tonnes (Nigeria Fisheries Statistics report, 2016), which is really high when the population is put into consideration, yet the domestic production of fish is estimated to be 1.12 million metric tonnes. From this estimate, a deficit of 2.2 million metric tonnes is revealed, and to meet up with this demand, fish importation is adopted (Oyinbo & Rekwot, 2013).

The result of this study has indicated some of the factors responsible for the importation of fish to include: Weak enforcement of regulation; inadequate fishing vessels and facilities; increased demand for fish products; and the gap between the demand for and supply of fish.

The study further revealed that the importation of fish in Nigeria is primarily due to poor regulation. As a result, this study investigated the impact of unregulated fish importation on foreign direct investment and found that unregulated fish importation allows the smuggling of compromised fish which do not meet quality control standards into the country; It causes loss of foreign exchange; It hinders the growth and development of trade in local fish industries; and It leads to growth in trade deficit.

Finally, the study investigated and revealed that the following are the extent to which regulating fish importation enhances Nigerian Foreign exchange: by enhancing employment opportunities; encouraging investment in the fishing sector; promoting entrepreneurship; and encouraging development and expansion of all areas of fish production, aquaculture, artisanal, and industrial fisheries.

Based on the result of this study, the researcher recommends the regulation of fish importation in Nigeria. The study also recommended a creation of taskforce that will ensure compliance to this regulation. The study recommended the regular planting of fingerlings in Nigeria waters to allow them mature before harvesting. Finally, the study recommends that major incentive be given to young graduates who want to explore fish farming as a way to expand the sector.

References

- Abdulkareem, M. (2021, January 23). INTERVIEW: Why Nigeria needs to raise 400,000 new fish farmers — Expert. *Premium Times* <https://www.premiumtimesng.com/agriculture/438170-interview-why-nigeria-needs-to-raise-400000-new-fish-farmers-expert.html>
- Africa Development Bank (2016 May). Feed Africa: Strategy for agricultural transformation in Africa 2016-2025. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Feed_Africa_-_Strategy_for_Agricultural_Transformation_in_Africa_2016-2025.pdf
- CBN (2015). Exchange Rates Policy. Retrieved www.cenbank.org/IntOps/ExchRatesPolicy.asp
- Chaudharya, G. M., Hashmib, S. H. & Khan, M. A. (2016). Exchange Rate and Foreign Trade: A Comparative Study of Major South Asian and South-East Asian Countries. *Procedia - Social and Behavioral Sciences* 230, 85 – 93. doi: 10.1016/j.sbspro.2016.09.011
- Federal Department of Fisheries (2013) Fisheries Statistics of Nigeria. Federal Ministry of Agriculture and Rural Development, Abuja, Nigeria.
- Kramer, L. (2021, May 24). How importing and exporting impacts the economy. *Investopedia* <https://www.investopedia.com/articles/investing/100813/interesting-facts-about-imports-and-exports.asp>
- Lioudis, N. (2021, June 29). How the balance of trade affects currency exchange rates. *Investopedia* <https://www.investopedia.com/ask/answers/041515/how-does-balance-trade-impact-currency-exchange-rates.asp>
- Liverpool-Tasie, L., Sanou, A., Reardon, T. & Belton, B. (2021). Demand for Imported versus Domestic Fish in Nigeria. *Journal of Agricultural Economics*, 72. 10.1111/1477-9552.12423.
- Nwabeze GO, Erie AP (2013) Artisanal Fishers use of sustainable Fisheries Management Practices in the Lake Jebba Basin, Nigeria. *Journal of Agricultural Extension* 17(1): 123-134.
- Obekpa, H. O., Frimpong, E. & Ayuba, A. (2020). Influence of foreign direct investment and exchange rate on fisheries in Nigeria. *Studies in Agricultural Economics*. 122. 153-161. 10.7896/j.2084.
- Olowokeere, D. (2018). Nigeria's Annual Fish Import Bill Hits \$800m. <https://businesspost.ng/economy/nigerias-annual-fish-import-bill-hits-800m/>
- Oluwarore, K. (2018, April 29). Nigeria: Importing fish amidst abundant ocean resources, the paradox of a nation. *Earth Journalism Network* <https://earthjournalism.net/stories/nigeria-importing-fish-amidst-abundant-ocean-resources-the-paradox-of-a-nation>
- Oluyemi, O. & Essi, D. I. (2017). The Effect of Exchange Rate on Imports and Exports in Nigeria. *IIARD International Journal of Economics and Business Management*. 3. 66 - 77.
- Oyinbo, O., & Rekwot, G. (2013). Fishery production and economic growth in Nigeria: pathway for sustainable economic development. *Journal of Sustainable Development in Africa, Volume 15, No.2*.
- Ritz, E., Hahn, K., Ketteler, M., Kuhlmann, M. K. & Mann, J. (2012). Phosphate additives in food--a health risk. *DtschArzteblInt.* 109(4): 49-55. doi: 10.3238/arztebl.2012.0049. Epub 2012 Jan 27. PMID: 22334826; PMCID: PMC3278747.
- Sogbesan, O.A., & Kwaji, B.P. (2018). Sustainable Artisanal Fisheries Practices in Nigeria. *Oceanogr Fish Open Access J.* 6(1): 555677. DOI: 10.19080/OFOAJ.2018.06.555677

Appendix**HEAVY LOAD ON NIGERIAN FOREIGN EXCHANGE DUE TO UNREGULATED FISH IMPORTATION
REQUEST FOR INFORMATION**

Dear Respondent,

I am carrying out a study on "Heavy load on Nigerian Foreign exchange due to Unregulated fish importation.", and you have been chosen to be part of the study. This questionnaire is only for academic purposes. Kindly select the response which applies to you and all information will be kept confidential

Instructions: Please tick (√) as appropriate where

SA = Strongly Agree (SA), A = Agree, D = Disagree (D), SD = Strongly Disagree (SD)

Key: Strongly agree (4), Agree (3), Disagree (2), and strongly disagree (1).

S/N	ITEMS	SA	A	D	SD
RQ1	What are the factors influencing the fish importation in Nigeria?				
1	Weak enforcement of regulation				
2	Inadequate fishing vessels and facilities				
3	Increased demand for fish products				
4	The gap between the demand for and supply of fish				
RQ2	What is the impact of unregulated fish importation on Nigerian Foreign exchange?				
5	It allows the smuggling of compromised fish which do not meet quality control standards into the country				
6	It causes loss of foreign exchange				
7	It hinders the growth and development of trade in local fish industries				
8	It leads to growth in trade deficit				
RQ3	To what extent would regulating fish importation enhance Nigerian Foreign exchange?				
9	It would enhance employment opportunities				
10	It would encourage investment in the fishing sector				
11	It will promote entrepreneurship				
12	It will encourage development and expansion of all areas of fish production, aquaculture, artisanal, and industrial fisheries.				