Import Policy Restrictions and Industrial Competitiveness: A Study of the Nigerian Cement Sector.

Research Proposal

Word Count: 2,653

1. INTRODUCTION

1.1 Background of Study

A shift in the cement sector of Nigeria has seen the country move away from reliance on heavy imports in the sector and become self-sufficient, owing to specific policy interventions (Roche, 2023). The 2002 Backward Integration Policy (BIP) under which firms were to invest in local production in exchange of import licences attracted billions of private investment and more than doubled installed capacity in 10 years, as well as increasing the installed capacity 2 to over 28 million tonnes (Odijie, 2019; Oshodi, 2022). As the local capacity increased, the imports of cement were prohibited, and in 2015 the Central Bank of Nigeria blocked the access of importers to official foreign exchange (McCulloch et al., 2017). Dangote, BUA, and Lafarge are the giants of the industry today, and Dangote is the one that possesses nearly 70% of the market share (Omeiza et al., 2021). Despite the fact that these policies led to the decrease of imports, there are still worries about their impact on the competitiveness (Oluikpe, 2020). Considering the continued elevated prices, lack of capacity utilisation, and lack of competition (Ibeh, 2024; Okogwu et al., 2023), it is curious whether there have been consumer and economic gains. This is worth reconsidering the new policies (Abdul-Wahab et al., 2020; Bamidele, 2024).

1.2 Problem Statement

Nigeria's cement industry has been experiencing continuous challenges despite massive expansion in its local production. It is still selling at high prices, N10,000 and above per 50kg bag, despite having the capacity and sourcing most of its inputs locally (Evuti et al., 2024). A small number of firms control the industry, which has caused concerns regarding a lack of competition and inefficiencies (Okogwu et al., 2023). Such results cast some doubt on whether the bans on imports and forex governance have increased the competitiveness of the industry or whether the oligopolies have been rooted at the cost of consumers.

1.3 Research Aim and Question

1.3.1 Research Aim

To examine how import policy restrictions have shaped the industrial competitiveness of the Nigerian cement sector.

1.3.2 Research Question

To what extent have Nigeria's import policy and foreign exchange restrictions on cement contributed to or undermined industrial competitiveness in the cement industry?

1.4 Justification of the Study

Cement is a significant contributor to Nigeria's economy, as it serves as a raw material in the construction of houses, infrastructure, and industrial growth. It directly influences national growth, urbanization, and poverty reduction due to its affordability and availability (Unum et al., 2025). According to McCulloch et al. (2017), the Nigerian cement industry is considered a successful case study of the effectiveness of industrial policy, and the Backward Integration Policy is referred to as a success story of self-sufficiency and domestic capacity building. Nevertheless, the continued high prices of cement and concerns about market concentration have raised new doubts about whether the policy-driven growth in the industry has resulted in competitive efficiency or benefited consumers (Okogwu et al., 2023). As the Central Bank of Nigeria eased its foreign exchange ban on imported cement in 2023, it has a good chance to review the previous trade barriers and assess their impact on the sector's competitiveness (Eboh, 2023). As such, this study contributes towards formulating evidence-based policy changes in the Nigerian industrial sector.

2. LITERATURE REVIEW

2.1 Import Restrictions in Emerging Economies

Import restrictions have frequently been central to the industrial policy in emerging economies, especially through the use of Import Substitution Industrialization (ISI) (Sahu, 2021). Schöfer and Weinhardt (2022) mentioned that the countries (such as Brazil and India) were dependent on the high tariffs and strict licensing to create national capacity and minimize reliance on imports. The protection was also done selectively in Malaysia, especially in the automotive sector via the Proton project (Victor et al., 2021). There have been mixed results of these policies. On the one hand, they could stimulate the initial development of industries by protecting their domestic companies, enabling them to develop capacity and scale (Chang & Andreoni, 2020). On the other hand, critics such as Petricevic and Teece (2019) caution that long-term protection creates inefficiency, rent-seeking, and complacency. As an illustration, Movahed (2020) highlighted that ISI led to the car industry in Chile, which was disjointed in production and very expensive. Such policies will jeopardize innovation and consumer welfare without a definite exit strategy. It is generally agreed that the protection should be performance-based, transitional, and time-based to be efficient.

2.2 Overview of the Nigerian Cement Industry

The Nigerian cement sector is a case of state-led change in terms of import policy. It was mostly an import-based product with the country producing only 2 million tonnes per year before the year 2002 (Alayande, 2020). To overturn this, the government introduced the Backward Integration Policy (BIP), which required local investment to obtain import licences (McCulloch et al., 2017). With tax holidays and duty exemptions, this plan brought in billions of private investment, and the domestic production grew to 28 million tonnes in ten years (Odijie, 2020). By the year 2012, Nigeria had reached self-sufficiency and started exporting cement (Evuti et al., 2024). To bring this together, the government placed an outright ban on imports and denied access to official foreign exchange to the importers of cement (Alayande, 2020). This resulted in market concentration as there are now three main players in the industry, namely Dangote Cement, BUA Group, and Lafarge Africa (Nkwor et al., 2024). According to Omeiza et al. (2021), Dangote possesses about 60% of the market share. As BIP stimulated the production, it also eased the oligopolist structure, which raised long-term issues of competition.

2.3 Impact of Import Restrictions on Competitiveness Globally

The international data on the limitations on imports and industrial competitiveness has a complex image (Li et al., 2022). Interim security may assist infant industries to expand and attain capabilities, as was the case in the post-war East Asia, where companies with conditional protection became leaders in the world (Hong et al., 2023). An international survey on ISI policies proved the short-term increase in industrial productivity (Sahu, 2021). Nonetheless, prolonged protection may decrease the motivation of firms to be innovative, implement cost-efficiency technology, or enhance the quality of products (Nkwor et al., 2024). It has been empirically confirmed that in response to high tariffs, the high tariffs result in the misallocation of resources and a loss in productivity. One study found that an increase in tariffs of one standard deviation reduces total factor productivity by 2.8-6.2% (Ibeh, 2024). Additionally, Barwick et al. (2021) stated that there is a likelihood of more consumer prices in the case of the protected markets, where the firms are not subjected to much competitive pressure. The consumer electronics industry in Brazil, which was hit hard in the 1980s, was characterized by expensive prices and obsolete technology on the one hand due to the strict importation ban (Li et al., 2022). Therefore, the long-term shielding of the market without market discipline can kill the competitiveness that it is supposed to be nurturing.

2.4 Empirical Studies Specific to Nigeria

Empirical studies of the cement industry in Nigeria confirm the efficacy of restrictions on imports on the production side and also reveal ongoing problems with market efficiency (Odijie, 2019). On the one hand, Akinyoade and Uche (2025) reported that BIP resulted in a cement production boom that became self-reliant in ten years. Odijie (2019) also provided an example of the success of the industrial policy of traditionalists in Nigeria, indicating that this model was followed by the rapid growth of Dangote. In the quantification of the Effective Rate of Protection (ERP), Alayande (2020) reported it to be very high during the 2000s-2010s, as an imminent subsidy to local companies. Nevertheless, market performance is still a problem. Olayiwola (2019) reported that even after increased capacity, cement prices remained high, indicating that there were few benefits for consumers. This is due to oligopolistic competition as indicated by high prices and limited competition, which are encouraged by policy (Ayoola et al., 2022). On balance, the policies of Nigeria have managed to achieve production but have a less convincing impact on price efficiency and dynamic competitiveness, and this needs to be recalibrated in the policies.

2.5 Identified Gaps in the Literature

Despite extensive research on Nigeria's cement sector, several important gaps persist in the literature. First, little discussion is done of long-term competitiveness, whether or not firms that have enjoyed protection have reached a state of sustainable productivity and cost efficiency. Second, the effect of importation restrictions on consumer welfare is under-researched, particularly given the continuing high price of cement despite its dominance in cement production locally. Third, innovation or technological upgrading is rarely measured in the sector using empirical studies, hence it is hard to gauge dynamic competitiveness. Fourth, comparative analysis is not available to justify why cement was successful under import substitution, but attempts at industrial policy, such as in the textile or agro-processing sectors, did not work. Lastly, the literature has not adequately analysed the issue of whether Nigeria has had trade and industrial policies that considered structured exit strategies to shift firms out of protection into open-market competition. These gaps would be addressed to enhance knowledge in the context of the consequences of protectionist policies on industry competitiveness and future policy reform in Nigeria.

3. METHODOLOGY

3.1 Research Philosophy

The research philosophy to be employed in this study is interpretivism, which is suitable for investigating the effects of policies, perceptions of competitiveness, and behaviour of stakeholders in the Nigerian cement industry. According to Trangbæk and Cecchini (2023), Interpretivism focuses on getting to the meaning of social actions and the situational essence of knowledge. In contrast to positivism, which aims to find generalizable laws by empirically testing them, interpretivism provides a researcher with the opportunity to interact with complex socio-economic and institutional variables (Saunders et al., 2019). With an emphasis on the interpretation of policies and the dynamics of industries, this philosophy will advocate for a qualitative investigation, which favours narrative, policy discourse, and stakeholder outcomes over quantification and statistical generalisation.

3.2 Research Approach

This study will employ an inductive research approach, which is suitable for eliciting knowledge about the identified patterns through observation, rather than hypothesis testing. Induction is used to inform exploratory studies, where the data support a theory (Bell et al., 2022). This methodology aligns with the research objective to understand the impact of Nigeria's import policy restrictions on the competitiveness of the cement industry. Using available policy documents, scholarly literature, and industrial reports, the analysis will aim at developing a grounded understanding of the effects of policy. The inductive method, therefore, fills the gap created by the interpretivist position, allowing the researcher to examine subtle, localized industrial processes without imposing strict theoretical views (Rowlands, 2005).

3.3 Research Design

A qualitative design is proposed for this study. The design will employ a secondary data approach to assess the effectiveness of import policy restrictions on the competitiveness of the Nigerian cement industry. Qualitative structure will enable a profound understanding of the complex policy effects and responses within the sector (Saunders et al., 2019). The evidentiary base will comprise secondary data sources, including government policies, central bank directives, industry reports, and scholarly literature. According to Creswell (2014), this design is especially appropriate when analysing an economic policy in a real-world, changing environment. Hence, qualitative analysis will enable the study to examine themes related to market structure, pricing trends, and firm behavior, providing insight into whether the growth in the industry due to policy issues is accompanied by increased efficiency in competition.

3.4 Data Collection Method

The research will incorporate the use of secondary data collection, which relies on various authoritative sources pertaining to the trade policy and industrial competitiveness in Nigeria. The major sources will be policy documents of the Federal Government on the Backward Integration Policy (BIP), circulars of the Central Bank of Nigeria regarding foreign exchange restrictions, and annual reports of cement companies such as Dangote and Lafarge. Other sources will include a statistical bulletin of the National Bureau of Statistics (NBS), competitiveness reports of the Manufacturers Association of Nigeria (MAN), and peer-reviewed journal articles. Secondary data have considerable merits, namely, they are easily obtainable, more affordable, and can be triangulated between policy, industry, and academic views (Goel, 2022). In light of this, considering the orientation towards retrospective evaluation of policies and the difficulties of obtaining the internal firm-level data, the secondary sources are the most effective and satisfying prism through which it is possible to examine long-term results. Such resources enable a critical investigation of sectoral patterns and facilitate in-depth thematic analysis (Arumsari et al., 2024).

3.5 Data Analysis Method

The thematic analysis will be used to analyse the secondary data in this study. Braun and Clarke (2006) emphasised that thematic analysis is a qualitative research method that aims to identify meaning patterns within a dataset. In that regard, coding of data segments into themes will be performed in connection with competitiveness indicators, production capacity, pricing dynamics, export performance, market concentration, and the level of innovation. In line with Thomas and Harden (2008), the process will be systematic, involving several stages that lead to familiarization with the materials, creation of initial codes, classification of codes, and evaluation of the classification of codes as applied to the research aim. This will enable a thorough examination of how various policies and market structures have influenced the competitiveness of industries in the past (Ahmed et al., 2025). The thematic analysis, with its flexibility, will allow for the interpretivist position and enable the study of various types of data, including policy texts, reports, and academic articles. It enables one to gain a nuanced appreciation of the policy implications without relying on quantifiable measures, which may not be feasible in such macro-industrial evaluations (Arumsari et al., 2024).

3.6. Validity, Reliability, and Trustworthiness.

Triangulation will be employed to enhance the credibility of this research by comparing information from various independent sources, such as government documents, industry reports, and the literature. This helps ensure consistency and accuracy in the development of themes (Arumsari et al., 2024). The reliability will be ensured through an open process of data analysis, where the development of coding and theme building is thoroughly documented. Even though interpretive approaches imply impairment to replicability in the strongest sense (Bell et al., 2022), credibility will be strengthened through the application of well-known analytical practices and reliance on commonly agreed-upon sources of data. All these measures are aimed at achieving strong and credible results in a qualitative policy analysis setting.

4. ETHICAL CONSIDERATIONS

The study will also adhere to high ethical principles when conducting this research, particularly in the management of secondary data. There will be an attempt to ensure that all sources, including policy reports, industry reports, and academic publications, are accurate and presented in a context-driven manner without distortion or selective reporting (Saunders et al., 2019). In line with the recommendation by Jamieson et al. (2023), the reflexive research strategy will be employed to mitigate researcher bias and consider the researcher's positionality; however, the reflexive strategy will utilize standard analytical procedures. Thematic coding processes will be recorded systematically to increase transparency and reliability. No human subjects will be involved in the study, as no primary data will be gathered, which means that there will be no risks to confidentiality, consent, or personal harm. However, to avoid violating the rights of the owners of the secondary data, their ethical utilization will be guaranteed by subscribing to citation standards, preventing data manipulation, and adhering to copyright regulations (Creswell, 2014). The steps will all contribute to making research findings more ethical and credible.

5. LIMITATIONS

The study is expected to face methodological and practical drawbacks. Methodologically, the study will be based solely on secondary data, which may restrict its capacity to obtain fine-grained, insider views or firm-specific operational information that could be more meaningful in revealing dynamic competitiveness (Saunders et al., 2019). The lack of primary data gathering can also limit the depth of context, particularly in understanding managerial intentions or informal policy outcomes (Kumara, 2022). In practice, confidentiality or restricted access to some governmental records or corporate documents might be limited. Additionally, not all publicly available reports are up to date, particularly in cases of recent policy reversals, such as the removal of foreign exchange restrictions. To curb these threats, the research will cross-reference data from different and authoritative sources and prioritize the most current and applicable data. These measures will help ensure that the analysis is strong, up-to-date, and realistic for the sector.

Highlighted text is suspected to be most likely generated by AI*

18899 Characters

2746 Words