Navigating Global Trade Tensions: The Pathway to Profitability for FMCG Companies in Nigeria

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Introduction

The resurgence of protectionist trade policies, particularly those announced under the "Universal Trump Tariffs" in April 2025, has reignited global concerns surrounding the future of free trade. Although implementation has been paused to allow for a three-month negotiation window, the proposed tariff hikes on Chinese imports and the resulting retaliatory threats from various countries have disrupted decades of global economic integration.[1] The implications are far-reaching for businesses in emerging economies like Nigeria, especially those in the Fast-Moving Consumer Goods (FMCG) sector.[2] This article examines the challenges these evolving trade dynamics pose and proposes strategic pathways for FMCG companies in Nigeria to maintain profitability amidst global uncertainty.

Understanding Tariffs: Laws and Regulations

A tariff is a tax imposed by a government on imported or exported goods. It serves multiple purposes, including protecting domestic industries, generating revenue, and regulating international trade. Tariffs are generally classified as ad valorem (based on the value of goods) or specific (based on quantity).

In international trade law, tariffs are governed by rules set by international institutions such as the World Trade Organisation (WTO). The General Agreement on Tariffs and Trade (GATT) 1994, incorporated into the WTO framework, forms the foundational legal instrument regulating tariffs globally. Article II of the GATT establishes binding commitments on tariff rates for WTO member countries, ensuring predictability in global trade relations.

Under Nigerian law, the imposition and regulation of tariffs are primarily governed by the Nigeria Customs Service Act 2023, which empowers the Nigeria Customs Service to administer and collect duties on imported and exported goods. The Act provides for the classification, valuation, and assessment of goods, in line with international standards such as the Harmonised Commodity Description and Coding System (HS Code) developed by the World Customs Organisation. There are several other laws touching on tariffs in Nigeria, and they include the Companies Income Tax Act, Nigerian Investment Promotion Commission Act, Finance Act, Industrial Development (Income Tax Relief) Act, etc.

The Nigerian government uses the Common External Tariff (CET), adopted as part of the Economic Community of West African States (ECOWAS) regional integration agenda. The CET harmonises tariff rates among member States to promote regional trade and facilitate economic cooperation. The implementation of the CET in Nigeria was formalised through the Customs and Excise Tariff (Consolidation) Act, which outlines the applicable tariff bands, typically ranging from 0% for essential goods to 35% for goods that require protection from foreign competition.

Internationally, members of the WTO remain bound by their commitments under the World Trade Organisation (WTO) rules and the General Agreement on Tariffs and Trade (GATT) 1994, particularly Article II, which obligates member countries to apply tariffs within their scheduled bindings.[7] Members must therefore balance their sovereign trade policies with their multilateral obligations.

Notwithstanding these frameworks, the current wave of protectionism poses significant challenges. FMCG companies in Nigeria must therefore navigate the delicate balance between sovereign trade policy decisions and international legal obligations.

Nigeria's tariff policy balances ECOWAS rules, WTO commitments, and growing protectionism, challenging FMCG firms to stay compliant on all fronts.


Proposed U.S. tariffs could cost Nigeria up to $6 billion in exports, hitting FMCG and non-oil sectors hardest amid rising global trade uncertainty.

Global Trade Tensions

Rising tariffs have introduced new complexities into global trade, with ripple effects on costs, supply chains, and GDP performance. While the Director-General of the WTO, Dr Ngozi Okonjo-Iweala, noted that only a small fraction of Africa's trade is directly linked to the U.S., the Nigerian FMCG sector faces significant vulnerabilities.

The recently proposed U.S. tariffs—10% on Nigerian imports, with an additional 14% "reciprocal" tariff under consideration—could result in an estimated $6 billion loss in annual exports, according to Nigeria's Minister of Industry, Trade and Investment, Jumoke Oduwole. The implications are particularly severe for businesses in the non-oil sector, where cost pressures and market accessibility are already constrained.

Although temporary relief may come from the 90-day suspension of reciprocal tariffs and exemptions under the African Growth and Opportunity Act (AGOA), Nigerian SMES remain exposed to rising costs, volatile markets, and uncertainty regarding future trade relations.

The tariff disruption is reshaping global trade and putting new pressure on sourcing, pricing, and margins while leaving companies to grapple with the uncertainties associated with it. As trade policies evolve and economic pressures mount, businesses must carefully assess the potential impact on their operations, profitability, and competitive positioning. Addressing these challenges requires a strategic approach. From optimising pricing and sales strategies to strengthening operational efficiencies, businesses can take decisive actions to mitigate risks and seize new opportunities.

Impact On Nigeria's FMCG Sector

Nigeria's FMCG sector—comprising producers and distributors of essential consumer items such as food, beverages, household products, and personal care items—plays a pivotal role in the national economy. However, it currently faces multiple headwinds, including inflationary pressures and surging input costs, high interest rates, exchange rate volatility, and trade disruptions due to global tariff tensions.

The new U.S. tariff regime could elevate the cost of imported raw materials, while the reciprocal tariffs will hinder export competitiveness. Disruptions in global supply chains, such as logistics delays, port congestion, and regulatory frictions, may also result in stockouts and further erode market stability. For companies exporting goods from Nigeria to the United States, they must contend with a 10% tariff hike and a potential 14% reciprocal rate due to reciprocal concerns under the 'Universal Trump Tariff'.

Moreover, the macroeconomic impact—including capital flight due to higher U.S. interest rates—could intensify demand for dollars, exacerbate Naira depreciation, and reduce foreign currency availability. This will further strain FMCG firms' access to essential inputs.

To mitigate these threats, businesses may consider local sourcing of raw materials and divest from segments heavily exposed to foreign exchange risks.

The Pathway to Profitability for FMCG Companies in Nigeria

While the global trade tensions caused by increased tariff rates and retaliatory tariffs continue to negatively affect profitability for companies, FMCG companies in Nigeria can adopt targeted and strategic measures to address the challenges. A mix of strategies will aid in navigating the tensions and sustain the profitability for companies within the sector. Some of these strategies include:

1. Supply Chains Diversification

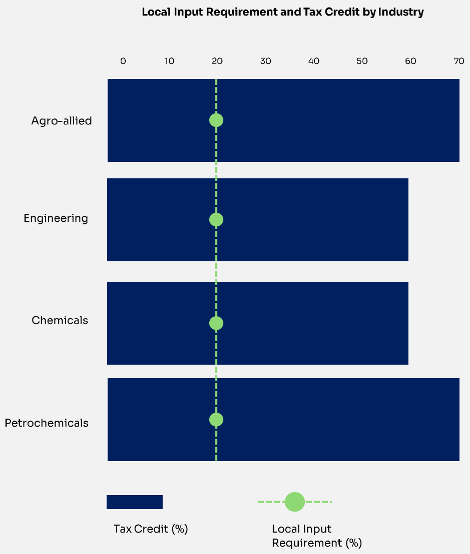
FMCG companies must explore alternative suppliers and sourcing options to reduce dependence on affected countries. This includes backwards integration, regional sourcing under the African Continental Free Trade Area (AfCFTA), and partnerships with suppliers across stable, tariff-friendly jurisdictions. This would enhance efficiency levels, making them more resilient to uncertainties.

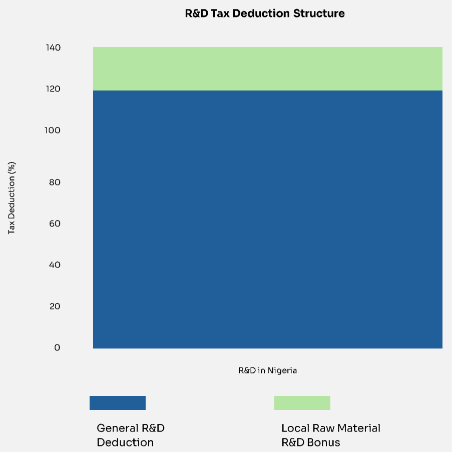
2. Strategic Pricing

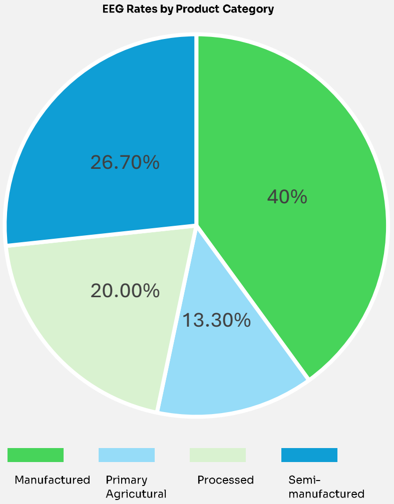
Incorporating tariff-related costs, which increases pricing, requires careful planning to maintain customer loyalty while safeguarding profit margins. Businesses should conduct margin analyses to determine product sensitivity, forecast customer and competitor responses, and develop adaptable pricing models that respond to ongoing tariff changes.

A comprehensive cost and margin analysis to determine the potential impact of the tariff on both the relative and absolute margin of each product will help companies to have a clear understanding of the role of each product and focus on producing and distributing their best-selling products at ideal prices.

Likewise, proper market research and consumer insights can ensure a good understanding of consumer attitudes towards further price increases to estimate their likely elasticity and switching behaviour under various tariff conditions. This strategy will help build a sustainable pricing strategy to cope with tariff tensions.







3. Tax Concessions and Incentives

Nigeria's tax and tariff laws provide various incentives to promote key sectors and broader macroeconomic objectives. These include:

- **Tax Concessions for Local Raw Material Utilisation:** A 20% tax credit for five years is granted to industries that satisfy the minimum local raw material sourcing thresholds, namely: Agro-allied (70%), Engineering (60%), Chemicals (60%), and Petrochemicals (70%).
- **Research and Development (R&D) Tax Allowance:** Up to 120% of R&D expenses are tax-deductible if conducted in Nigeria, rising to 140% for R&D focused on local raw materials. Long-term research is treated as capital expenditure and may lead to patented innovations.
- **Export Expansion Grant (EEG) Scheme:** The EEG provides tax relief via Export Credit Certificates (ECCs), usable for federal tax payments, bond purchases, and debt repayments. Exporters receive EEG rates based on product classification—manufactured (15%), semi-manufactured (10%), processed/intermediate (7.5%), and primary agricultural commodities (5%).
- **Pioneer Status Incentive:** Grants tax exemptions for newly established companies on statutory income for three years, with possible extensions.

FMCG companies can leverage these incentives by strategically aligning their operations with regulatory requirements to maximise benefits and capitalise on cost efficiencies.

The African Continental Free Trade Area (AfCFTA)

As with the Free Trade Zones, AfCFTA provides an opportunity for FMCG companies to increase exports across Africa while minimising tariff-related challenges. Companies can benefit from tariff-free intra-African trade by manufacturing their products locally and distributing them in regional markets. A combination of the Free Trade Zones and AfCFTA will enhance cross-border supply chain efficiency, enabling seamless tariff-free exports under AfCFTA's customs framework.

By leveraging AfCFTA's trade provisions, FMCG companies can reduce costs, optimise logistics, and unlock new growth opportunities in an integrated African market in the middle of the global trade tension.

Conclusion

The evolving global trade landscape, marked by escalating tariff regimes, presents complex challenges for Nigerian FMCG companies. However, these challenges also offer an opportunity for strategic transformation. Through supply chain diversification, strategic pricing, and harnessing of available incentives, FMCG businesses can build resilience and unlock new avenues for growth.

At **Stren & Blan Partners**, we are committed to guiding clients through these uncertain times. Our deep expertise in trade law, regulatory compliance, and market strategy positions us to offer the practical solutions businesses need to thrive, both in Nigeria and on the global stage.

Endnote

1. U.S. Global Trade and Tariff Policy: Implications and Economic Impact. VCG Tariff Trade Whitepaper, available at: https://rgp.com/wpcontent/uploads/2025/04/VCG_Tariff_Trade_Whitepaper.pdf. (last accessed on 30th April 2025 at 10 am).
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3. General Agreement on Tariffs and Trade (GATT) 1994, art II, in Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, 1867 UNTS 187.
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10. Section 4(1)(c) of the Nigerian Export Promotion Council Act.
11. Provided by the Industrial Development (Income Tax Relief) Act.

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Stren & Blan Partners is an innovative and dynamic Law Firm with a compelling blend of experienced lawyers and energetic talents. We are focused on providing solutions to our client's business problems and adding value to their businesses and commercial endeavours. This underpins our ethos as everything we do flows from these underlying principles.

Stren & Blan Partners is a full-service commercial Law Firm that provides legal services to diverse local and multinational corporations. We have developed a clear vision for anticipating our client's business needs and surpassing their expectations, and we do this with an uncompromising commitment to Client service and legal excellence.

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