The Anatomy of Government Neglect in Nigerian Maritime Industry

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Abstract

The Nigerian maritime industry, with its enormous opportunities, has been articulated in several publications, but little has really been said about how government neglect has been a hindrance on the success of the industry. This neglect has not only eaten deep into the Nigerian economy, but it has also dented Nigeria's integrity among the committee of international maritime nations—it has crippled the implementation of Nigeria's Cabotage legislation. Nigerian mariners' sea-time training, maritime businesses, shipyards, reforms and policies, seas and coastline, ports and investment opportunities, are all victims. Foreign dominance of Nigeria's maritime industry has rendered Nigerian mariners idle; government chances of making huge revenue from maritime have been drained.

It is still unthinkable why a nation like Nigeria could decide to undermine the strength of its maritime sector, which is capable of being a top revenue earner for the country. The federal government's neglect to implement international conventions has cost the nation a huge fortune. Nigeria lost about $3 billion between 2012 and 2015, due to the non-implementation of the Sea Protection Levy (SPL) that was introduced in 2012. Nigeria also loses over $60 million annually, as a result of neglect, to unregulated fishing, according to the National Oceanic and Atmospheric Administration. This article aims to point out areas of government neglect on Nigerian maritime, and to put its challenges into perspective with an attitude to conscientize the government and its policymakers.

Introduction

The 2015 Nigerian Maritime Expo (NIMAREX) left Nigerians with numerous reflections, including the unpleasant state of Nigerian seafarers, ineffective implementation of Coastal and Inland Shipping (Cabotage) Act 2003, and foreign dominance of Nigerian coastal shipping. These reflections and other challenges confronting the industry are products of government neglect. They also require serious attention because Nigeria's maritime industry is strategic to the nation's economy. Apart from Nigeria being an exporting nation, largely due to oil production, the nation's population and importing policies also make it one of the biggest markets for foreign goods. Nigerian relationships with shipping and trade are tremendous. Totals of 5,139 and 1,131 ocean-bound vessels called at the Nigerian Ports in the first quarters of 2015 and 2016, respectively, and cargo recorded during the first quarters of 2015 and 2016 was 49,604,516 metric tons and 43,347,523 metric tons, respectively (Nigerian Ports Authority). In a statistical bulletin, the Central Bank of Nigeria reported that about eighty percent of goods consumed in Nigeria are imported. Nigeria is a coastal state. It is endowed with a coastline of about 870 kilometers and about 3,000 kilometers of inland waterways with vast exclusive economic zone. Moreover, the nation still needs to complement these endowments with investments in human capital and infrastructural renewal, ship acquisition programs, scientific policies, and automated port operations in order to fall in tandem with Goldman Sachs. Goldman Sachs identified Nigeria as one of countries with the potential to join newly industrialised nations like Brazil, Russia, India, China, and South Africa.

To show how insignificant the industry is to the government, the Central Bank of Nigeria announced plans to provide financial assistance to some sectors in 2015, but maritime sector was unscrupulously omitted from this arrangement. Despite the potentials of Nigeria's inland waterways, it still has a long history of neglect. , Government has made some efforts to make the inland waterways attractive. Recently, a section from Baro in Niger State to Warri in Delta State was 572-kilomeer dredged (National Inland Waterways Authority). With all the advancement of American inland waterways system, the U.S. is still desperately striving to improve its inland waterways system. Lamar Alexander, a Republican senator from Tennessee, introduced the American Waterworks Act in 2012, which sources funds for the improvement of the nation's inland and intra-coastal waterways.

Some of the reasons the Coastal and Inland Shipping (Cabotage) Act of 2003 was enacted are to encourage domestic participation in the nation's coastal shipping and to restrict foreign access to Nigeria's domestic coastal shipping and offshore operations. Unfortunately, the Cabotage Act of 2003 has done little to actualize these objectives. To believe the Cabotage Act of 2003 will work without some basic structures and regulations in place is like hoping that a camel will pass through needle's eye. For instance, the Cabotage Act of 2003 states that only vessels wholly-owned and manned by Nigerian citizens, built and registered in Nigeria, shall engage in Nigeria's coastal territorial inland waters. These provisions are difficult to comply with because wholly-owned Nigerian vessels are extremely scarce, and are also sub-standard, low-tonnage vessels. Nigeria's ship owners are moribund with no incentive or finance to compete with foreign vessel owners; hence, they have been edged out of lucrative business opportunities in Nigeria's oil and gas industry.

Section 23(1)(e) of the Cabotage Act of 2003 provides that vessels operating on Nigerian waters shall be exclusively crewed by Nigerian citizens, except where the Minister grants a waiver. Nigerian mariners are currently perceived as mere classroom seafarers with no experience. Both foreign and local ship owners disobey this provision because the seafarers are not capable to man vessels. The experience, competence, and reliability of the crewmen are fundamental to the profitability and safety of the ships—which is why the price of a crew is among the highest costs of running of ship. Crewing of ships is also a great source of income for nations. The Philippines export seafarers to several nations. A sum of $3 billion was contributed to the Philippine economy in 2008 from exporting mariners to Japan alone, according to (Doris Magsaysay-Ho).

The Nigerian Maritime Administration and Safety Agency (NIMASA) has failed to protect the few good, local seafarers. NIMASA has the responsibility to moderate the flow of foreign seafarers to the system. Both NIMASA's National Seafarers Development Programme (NSDP) and the Maritime Academy of Nigeria, Oron, Akwa Ibom State, in Nigeria have wasted billions in resources of naira in the name of producing employable seafarers for the nation. NIMASA initiated NSDP in 2009 to sponsor Nigerians for seafaring trainings abroad, but despite billions of naira squandered on getting NSDP cadets trained, is still highly uncompetitive. Over time, NIMASA has shown its cluelessness on the sea time aspect of NSDP, the nucleus of the project. The reported purchase of a training vessel for the cadets for sea time training is still a fantasy. Hopefully, the idea of using vendors to provide sea time training for the NSDP's cadet will materialize. Over $19 billion has been remitted to the account of Maritime Academy of Nigeria, Oron, as the statutory allocation of five persent from NIMASA, in the last five years. Yet, the institution cannot produce master mariners and chief engineers, and their seafarers are a mass of hare-brained mariners. Mpkandiok Ante Mkpandiok, acting rector of the Maritime Academy of Nigeria, recently confessed the products of the Academy are half-baked seafarers and the nation's foremost maritime training institution lacks basic equipment like training vessels for its cadets and a Global Maritime Distress and Safety System (GMDSS) simulator. A GMDSS is used to increase safety and make it easier to rescue distressed ships, boats, and aircrafts. GMDSS training is mandatory for all seafarers.

Mismanagement of funds and corruption have ruined the future of the only maritime institution recognized by the International Maritime Organization (IMO) in Nigeria. Even though Nigeria is on the IMO white list, its number-one training institution for seafarers cannot boost a training vessel for the mandatory on-board tutelage of the seafarers before NIMASA issues a certificate of competency to each cadet on behalf of the school. Even the few Nigerian seafarers who have been able to maneuver in NIMASA to get certificates of competency are stranded because ship owners do not honor those certificates. Only the influential Nigerian seafarers are fortunate enough to get space for sea time training. No ship owner should entrust its vessels in the hands of inexperienced mariners.

Keeping this all in mind, it is easier for the Nigerian Minister of Transportation to grant a waiver to foreign built, owned, crewed, and flagged vessels to operate in Nigeria's domestic coastal trade and offshore; no Nigerian shipbuilding company has the capacity to construct ocean-going vessels. Nigerians are still earnestly waiting for the first set of locally constructed ocean-going vessels by the Nigerian navy. To be among the largest ship-owning nations like Greece, Japan, China, Germany, Singapore, and the United States, investments in shipyards, shipbuilding, and ship acquisition are key. The state of Nigeria's shipyards is chronic. In spite of Nigeria's maritime status in Africa, its shipyards can be counted on the tip of one's fingers; meanwhile, China has over ninety established shipyards—constructing a wide range of vessels' sizes and types and about thirty major new shipyards are warming up. The few shipyards in Nigeria are either too expensive for ship owners or their delivery pace is quite slow. Some Nigerian ship owners still prefer to take their vessels to Dakar in Senegal for repair because of the cheaper price, without considering the distance and the cost of travel to get there. Currently, Nigeria does not have a dry dock capable of maintaining large crude tankers. Large tankers sailing to and from Nigeria have to go to South Africa for dry docking (Nigeria Liquefied Natural Gas Corporation). Dry docking of these large tankers could be a major source of income for Nigeria but, unfortunately, South Africa is profiting. It should be noted, though, that the Nigerian navy is now ready to open up its dockyard for maximum utilization. The Badagry Ship Repair and Maritime Engineering Company's proposed $1.5 billion dockyard project is an investment in the right direction. Praise must also be given to the Nigeria Liquefied Natural Gas Company for prioritizing local content in its shipbuilding and repair project.

Flagging a ship is a business relationship. One of the benefits of flagging a ship to the flag state is to generate revenue. Nigeria's ship registration system grapples because bureaucrats have not set a clear long-term vision. Liberia's registry keeps growing at a rapid pace because its flag is driven by core shipping and business-minded professionals. The Liberian flag is the second largest in world. The Liberian registry recently reached a 4,000-vessel registration milestone of more than 131 million gross tons. However, vessels registered under the Nigerian flag are ones of low tonnage. Nigeria has failed to use availability of cargo like crude oil and liquefied natural gas to market its flag.

Maritime is an industry driven by professional discipline. The appointment of Nigerian ship registrars and deputy registrars should not be based on a promotion system. The system was created with the NIMASA Act of 2007. Some members of the NIMASA staff deserve promotion due to their diligence and service to the nation, but patriotism is not enough here. Competence and professionalism are the yardsticks for driving a business organization like the ship registration system. If Nigeria truly desires to be the number-one Maritime Administration Agency in Africa by the year 2020, it must engage core professionals, rather than the usual bureaucrats.

The campaign for amendments of most of the existing Nigerian maritime and shipping legislations keeps amplifying. Amending the laws, in isolation of some basic infrastructural and developmental structures, will not solve the challenges. Nigeria must structure a number of factors: its maritime capacity building, ports' infrastructures, ship acquisition, shipyards and shipbuilding, channels dredging, shipping reforms, maintenance, and installation of safety facilities if it is really interested in making the laws and regulations workable.

The Cabotage Vessel Financial Fund (CVFF) was established by Section 42 of the Cabotage Act of 2003 to boost indigenous participation in coastal shipping and offshore operations by providing loan facilities to indigenous operators for ship acquisition. But, with this stipulation, ship owners are still stranded. The purpose of the CVFF is to encourage indigenous ship-owning investment; refine the nation's level of maritime technology and know-how; assist local maritime operators to create synergy with foreign shipping and oil companies; empower Nigerians to effectively take control of the maritime activities of both Nigeria and the West African sub-regions; reduce foreign companies' influence and dominance; generate foreign exchange for the nation through freight rates; and help both the local shipping and oil companies, in terms of capacity and capability, to participate in the lifting of Nigeria's crude oil ,which composes over ninety percent of the nation's exporting trade. Thirteen years later, the Cabotage Fund has not been effectively implemented and disbursed, as participation of Nigerian shipping companies in marine transportation has yet to ameliorate. Part VIII of Section 44 of the Cabotage Act of 2003 empowers the NIMASA to collect a two percent surcharge on all vessel contracts involved in coastal trade and other tariffs, fines, fees for licences, and waivers under the Cabotage Act of 2003; deposit it with commercial banks; and administer the fund under guidelines proposed by the Minister of Transportation, subject to the approval of the National Assembly. Until now, the NIMASA has not been able to specifically say the accrued sum of the CVFF—several figures are in the air. The agency has also announced several conflicting dates for the commencement of the disbursement of the CVFF. It's incomprehensible how the NIMASA, with its partners, intends to disburse this huge fund without a credible, consistent, and transparent platform. However, the CVFF and other Nigerian ship-acquisition schemes are not the only victims of government neglect. Government programs designed to refurbish and repair Nigerian old vessels are also complete messes, and government keeps voting millions of naira into it every year. Twenty-one local vessels selected in 2011 by the NIMASA for repair have yet to be fixed. It is essential for the nation to right its ship acquisition programs because these will profoundly boost national income, employment, local content, and maritime business. The government guarantee system remains the most effective way of disbursing and managing a scheme like the CVFF. The establishment of a Nigerian national guarantee fund will drive the loan scheme, and provide credit risk and financial security to shipping companies who want to either buy or sell vessels, thus helping them mitigate the financial risks involved in the investments.

Disbursement of the CVFF is not the only challenge confronting its objectives; the nation also needs to look into the repayment system of this loan facility. The timeframe given for repayment of the CVFF loans is too short and will make repayment quite difficult for ship owners. Presently, Nigerian ship owners have extreme difficulty breaking even because foreign vessels have taken over all charterers and offshore companies. It is when local ship owners have fixtures and contracts that they can employ, create wealth, and ultimately repay, loans. Even government cannot generate revenue when the local ships are idle. Non-patronage of the local ships has made a lot of ship owners close their shops. It will be counter-productive if the loans are granted, but the government fails to create an environment for maritime business to flourish. However, the majority of Nigerian ship owners are naturally wired not to repay loan facilities, even if they are swimming in profits. A legal framework for enforcing repayment of the CVFF loan facilities needs to be put in place. Nigeria's Ship Acquisition and Ship Building Fund (SASBF) failed in 1998 because local ship owners treated the loans as their heritance. All loans were disbanded with the money leaving. The non-provision of imprisonment for people who deliberately refuse to repay loans is still a lacuna in Nigeria's jurisprudence. It makes debtors not seriously consider the offence. It is time for Nigeria to join nations like Greece, the United Arab Emirates, and Switzerland in imprisoning individuals who fail to repay their debts and loans.

The proposed diversion of the CVFF to establish a new national carrier is another challenge confronting the loan scheme. The proposal is not only illegal, but also unfair. Rotimi Amaechi, Nigeria's Minister of Transportation, has refuted this proposal. The CVFF is a scheme where local shipping companies contribute two percent of their income and sweat to strengthen their participation in the nation's coastal shipping and offshore operations. However, to use such a fund to establish a national carrier, which would be operated and driven by foreign shipping companies, is like robbing Peter to pay Paul. None of the local shipping companies can bid for a national carrier status because they are practically invisible on international routes. No Nigerian-owned ship is currently plying international routes (Indigenous Ship-owners Association of Nigeria). Undoubtedly, Section 35(b) of the NIMASA Act of 2007 empowers the minister to grant national carrier status to a shipping company if a vessel operates on international routes and deep sea, and not in Nigerian coastal and inland waterways. But the government will be violating the provision of Section 42(2) of the Cabotage Act of 2003 if the Cabotage Fund is used for any other purpose(s) rather than to provide financial assistance to Nigerian operators in the nation's domestic coastal shipping and offshore operations. The Cabotage Fund is legally meant for the advancement of local content in Nigerian coastal shipping and to refrain from promoting any shipping company on international routes.

The idea of a national carrier is a welcomed development, especially where the nation earns no foreign exchange from freight rates. Statistics show Nigeria annually exports about 900 million barrels of crude oil and over 100 million tons of general cargo, and no Nigerian operator earns freight rate from the international carriage of these goods. Nigeria loses $700 million monthly to the dominance of crude oil shipment by foreign ship owners (Nigerian Ship-owners Association NISA). Nigeria is also the only oil-producing nation without a national fleet; whereas Angola, which recently became an oil-producing country, has a fleet for its oil deliveries.

National carrier arrangement is not all about parading a fleet of ships or securing equity in vessels handling the nation's international carriage of goods. It must also prioritize maritime local content. A new proposed national carrier will further consolidate foreign dominance in Nigerian shipping and offshore operations if the local manpower is not sought. Hopefully, members of the committee, saddled with the drafting of a national fleet policy, will look into the concept holistically. Like oil and gas, shipping is also a huge project. It requires the right quality of national human capital to drive the ports, shipyards, ships, charter parties, ship investments and finance, freight derivatives, and the trading. Despite the numerous shipyards in South Korea, the nation still could not meet its orders because of human capacity and capability. Availability of shipyards alone without human capital is highly counter-productive.

Effect of Unlegislated Maritime Bills on Nigerian Port Reforms

The advent of port concessionary in 2006 brought in the private sector to drive ports operations in Nigeria, which also caused the Nigerian Port Authority to cease from being the permanent economic regulator of the ports. The National Transport Commission Bill was drafted to provide a new regulator for not only the ports, but also the inland waterways, railways, and roads. Unfortunately, the National Transport Commission Bill, Ports and Harbour Bill, and Maritime Zones Bill are still before Nigeria's National Assembly since the 5th Assembly (2003-2007) is unlegislated. Non-passage of these bills is severely disturbing the smooth regulation of the Nigerian maritime industry. However, when excesses of the concessionaires became unbearable, Nigeria had no choice but to appoint the Nigerian Shippers' Council (NSC) in 2013 as interim regulator of the ports, pending the enactment of the National Transport Commission Bill. The temporary appointment of the NSC was not only criticized by the concessionaires, but was subsequently challenged in court. If Nigeria's National Assembly had passed these bills, concessionaires would not have sought judicial interpretation of the roles, validity, and legality of the action of the NSC as the economic regulator of the ports at a Federal High Court in 2014. Justice Ibrahim Buba in Lagos upheld the appointment of the

NSC as the regulator in a lawsuit filed by the concessionaires against the NSC. The judge did not only declare the shipping line agency charge levied by the concessionaires as illegal, but also ordered the concessionaires to refund the illegal charges that had been collected since 2006 and be kept in the Cargo Defence Fund, a department under the NSC, for the benefit of the shippers.

The provision of a port regulator is an integral part of the port concession agreement between the Federal Republic of Nigeria and the concessionaires. It is meant to establish transparent and enforceable guidelines that will drive the objectives of the port reforms. The provision ought to have been established before the commencement of the port concession agreement. Obviously, if a permanent regulator had been in place, actualization of automated cargo handling, efficient pilotage, towage, dredging and allied port services, speedy cargo clearance, reasonable port operations rates, and forty-eight-hour port operations could have topped the agenda. Speedy cargo clearance and turnaround time for vessels are important to the port reforms because their influence on port traffic and cargo dwell time reduction is fundamental. What the Nigerian Customs Service needs to do in securing revenue, achieving speedy and cost-effective cargo clearance, and actualizing forty-eight-hour port operations is an electronic, single-window clearing system. This will phase out the problems of delay, corruption, and bribery, owning to multiple government agencies and Ccstoms officers' physical examinations. Nigeria yearly loses over $1 trillion to inefficiencies and corruption in the cargo clearing process, according to a report titled "Nigeria: Reforming the Maritime Ports." The concept of forty-eight-hour port operations will make Nigerian ports highly competitive in West Africa, mainly among the landlocked countries within the sub-region. The inability of the Nigerian Customs Service to install a transhipment tariff hampers the use of Nigerian ports in this way.

The Ports and Harbour Bill, on the other hand, was drafted to seek legislative framework for private sector participation in Nigerian ports and terminal operations, and to provide a bold vision in creating today's modern ports. Currently, the port concession agreement still lacks legislative backing, due to non-passage of the Ports and Harbour Bill. This does not give potential investors any confidence; it is also extremely difficult to reassure foreign investors about Nigeria's attitude toward the implementation of bilateral agreements. Many investors seem to be eyeing the exits.

Non-passage of these bills holds backs the full benefits of the port reforms in Nigeria. It allows abuses, illegal increment and collection of terminal charges, storage charges at the ports, and shipping lines agency charges. The free storage period has also been reduced from seven days to three by the concessionaires, while the demurrage period at the ports has been decreased as well. However, the Ports and Harbour Bill did scale through a second reading on November 8, 2016, at Nigeria's House of Representatives. The House subsequently referred the bill to its committee on ports and harbours and waterways for further deliberations.

Neglected Areas Affecting the Growth of Nigerian Maritime Industry

The versatility of Nigerian ports creates opportunities for various sizes of vessels to call. But for Nigeria to generate revenue from these opportunities and to be known as one of the mooring locations for bigger ships, it has a lot of work to do in regards to capital dredging, pilotage, and breakwaters. Bigger vessels like the capesize, post-Panamax vessels, triple-E vessels, and super tankers are suitable to serve only large ports with a draft of up to 24 meters (78 feet). Berthing of these bigger vessels in Nigerian ports will improve the country's gross domestic product (GDP); increase the bulk movement of crude oil, petroleum products, and other capital goods; reduce operating costs and the time in transit for goods; and boost cargo-handling businesses and the turnaround time of cargoes. The depth of Nigerian waterways is still not enough to accommodate these larger vessels, and the warehouse capacities in major seaports in Nigeria are microscopic. A WAFMAX vessel of 4,500 TEU and 260 meters long is the biggest and longest to have ever docked in a Nigerian port. Nigeria's quest to become the hub of maritime activities in the West and Central African sub-regions will remain elusive without a deep seaport (Mr. Omar Suleiman – former MD of NPA). The investment ratio of 60:20:20 between the private sector and the federal and state governments in the development of some deep seaports in Nigeria is insufficient. Only the breakwaters, which the government provides, consume more than forty percent of both the federal and state governments to the port development cost. The government is also still responsible for the dredging and other infrastructures. The breakwaters at Escravos terminal are completely submerged, thereby destroying the buffer between the ocean and the river channel and restricting the draft to a maximum of 5 meters (Warri-based Shipping Trade Group). The non-functional nature of Nigerian ports has made it difficult for government to generate revenue from them. The ports in the Delta State of Nigeria comprise of the Warri port (the main port), the Koko port, the Burutu port, the Sapele port, and crude oil ports and jetties, and they are all victims of government neglect. Warri port is one of the Nigerian ports seriously suffering from capital dredging. Bulk carriers no longer call the

Warri port because the channel is practically blocked, as a result of non-dredging. Navigational buoys in the Warri port channel had been swept away by water, which makes safe navigation impossible; vessels get stuck in the channel for days and the government has no tugboats to rescue the grounded vessels (Warri Port Manager). However, the Nigerian Ports Authority recently purchased two new tugboats to enhance marine operations in the Lagos Pilotage district. The unavailability of a functional pilot cutter in the Warri-Sapele Pilotage district is disgraceful. The Warri port is so strategic to the Nigerian southeast market because of its proximity. From Warri to Onitsha, Anambra State is the largest market in eastern Nigeria; by road it is less than two hours, while it takes close to six hours from Lagos. The functionality of the Warri port provides an opportunity for goods to get to both the south and southeast areas of the country cheaply and timely.

The Nigerian Shippers Council and the Nigerian Ports Authority are enjoined to welcome fresh ideas on decongestion of Nigerian ports and to facilitate infrastructural development in the nation's dry ports. The survival of Nigerian dry ports is key to maritime businesses like ship broking and agency, freight forwarding, stevedoring, towage, pilotage, marine insurance and banking, port warehousing and storage, ship chandlery, and project cargo management.

Multi-modal transportation is another area that, if properly addressed, could be a gateway to the Nigerian ports' competitiveness. Multi-modalism is the reliance of many modes of transport, from water transport to rail, road, inland water, and pipeline. Nigeria must concentrate more on intermodalism because there must be some connectivity between the modes of transport. Multi-modal transportation has the capacity to help Nigerian market in terms of coverage, quick delivery of goods, minimization of logistic expenses, trade and commerce, revenue generation for government finance, and the development of related economic activities. Goods transported by sea should be able to get to the owner of the cargo, and subsequently to their customers, as soon as possible; through rail, pipeline, and road transport and vice versa. Multi-modal transportation is a very interesting approach to solving a big part of cargo mobility problems. Road traffic is a challenge to cargo mobility in Nigeria, mainly around the seaports in Lagos, because the movement of goods by road is popular in Nigeria. The roads are subjected to traffic gridlocks caused by container trailers and petrol tankers trying to access the Tin Can Island Port Complex, Port of Lagos (Apapa), and fifty-seven tank farms in Apapa. The Executive Secretary of the NSC Barrister Hassan Bello averred road access to the ports in Lagos has made the seaports unfriendly for businesses to thrive. According to him, traffic gridlock has contributed to the slow pace of port operations, noting that the forty-eight-hour cargo clearance cannot be achieved if traffic management is not in place. The new ports in Lekki and Badagry, as well as Lagos, must feature fast cargo railway and pipeline networks to avert the road congestion in Apapa.

The porosity of Nigeria's territorial waters is a big threat to national income. The vulnerability of Nigerian waters is not only distracting foreign investments, but a lot of international ship owners are wary of fixing their vessels for charters that indicate Nigeria as the loading or discharging country. As result of this, NIMASA loses three percent levy on each vessel. The ships ought to be entering Nigerian waters, and this has really suffocated maritime businesses in Nigeria, especially coast pilot, ship chandlery, bunkering, freight forwarding, ship agency, and broking. Nigeria monthly loses about $1.5 billion, due to the vulnerability of its sea (United Nations Security Council). The unrest in the Niger delta region is causing a lot of maritime-related crimes at the Gulf of Guinea, and has also forced a drop in the country's crude oil production from nearly 2.3 million barrels per day to about 1.56 million. More than thirty-five maritime crimes were recorded in the first quarter of 2016 alone. Although the Nigerian navy has been responsive, a synergy with other Gulf of Guinea nations is needed to tackle this problem from inland.

Rather than depending solely on crude oil in Nigeria, shipbuilding and recycling can be looked to as great hubs of income generation and also capable of boosting the nation's fleet of ships. However, the ocean-shipping industry faces a tough time, mostly the dry bulk market. It was a dark year in 2015 for the dry bulk sector, while it was actually the best year for the tanker sector since 2008. The beginning of 2016 did not change the story of dry bulk market as the Baltic Dry Index (BDI) reached a new all-time low of 290 points in February. However, the BDI rose seventy-one points on November 11, 2016—the first time the BDI will been above 1,000 points since August 14, 2015, when the BDI sat at 1,055. All these market fluctuations, including a decline in new orders, changes in exchange rates, an increase in economic risks following the "Brexit" vote in the UK, and the growing labor unrest in China, Japan, and South Korea, could be worrisome to the shipbuilding industry. But, despite all these challenges, the market still looks strong. Ship owners ordered a good number of containerships in 2015, while new orders for dry bulk ships rapidly declined. According to the Clarkson Shipping Intelligence Network, seventy-five ships were ordered with capacity of 1.03 million TEU in H1 2015. Based on the containerships on order and planned deliveries, the supply capacity should see an increase of around 1.6 million TEU in 2017. The tonnage of the commissioned containerships, approximately 3.7 million TEU, is currently equivalent to around eighteen percent of the present global container fleet's capacity of 20.9 million TEU (Hapag-Lloyd AG Q2 / H1 2016 Investor Report).

Even with the low ordering of new dry bulk carriers, there is still a large order booked for future deliveries. Reduction in dry bulk newbuilding orders is, however, a blessing to the ship recycling market. In the first half of 2016, 373 bulkers and general cargo ships were scrapped, representing 23.8 million tons of DWT-carrying capacity (Shipbroker Intermodal). The Baltic and International Maritime Council (BIMCO) reported that international dry bulk ship owners are scrapping ships aged eighteen years or older, while some Chinese owners have scrapped ships that were even younger. Nineteen ships out of twenty-eight built between 1998 and 1999 got demolished between 2013 and 2015. Scrapping of old ships will continue, and by 2018 and 2019, we might see an upturn (Virtual Shipbroker). As a matter of fact, a rise in ship recycling has contributed significantly to BDI, reaching a mark of 704 points as of April 2016.

Like Pakistan, India, and Bangladesh, which are known for the recycling of vessels, Nigeria is also a potential destination for ship recycling. The scattered shipwrecks in Nigeria's waterways have created gaps for investment and business. Nigerian waters are littered with a large number of abandoned ships (Nigeria's Association of Marine Engineers and Surveyors). Instead of spending almost $25 billion proposed by the Lagos state government to remove the wrecks, such a sum should be invested in dry dock. Recycling those abandoned ships in Nigeria will aid investment and save ship owners a lot of money from towing shipwrecks abroad for recycling. Ship owners abandon their ships in a country like Nigeria because the shipwrecks are very expensive to tow abroad. The law on removal of wrecks in Nigeria does not specifically define the geographical operational ambit of the receiver of wrecks, and the liability of the ship owner with regards to the cost of removing the wrecks is not well-defined. However, the Nairobi International Convention on Removal of Wrecks 2007, addressed a lot of fundamental issues on the international removal of wrecks, including the Lacuna in the Merchant Shipping Act of 2007. Nigeria needs to swiftly domesticate this international law because it would not be able to enforce the provisions of the convention on ship owners since it is not yet a law in the country.

One great advantage Nigerian companies have over their international competitors is the cost of labor in Nigeria is highly affordable. Cost of labor has always been one of the ruling factors in the business of shipbuilding and recycling. Because the cost of living in some countries is considerably lower than in others means they can produce certain items at a much lower cost. Big shipbuilding nations like China, Japan, and South Korea are currently expanding their production sites to more labor-friendly countries, mainly where labor is inexpensive. Saudi Aramco's partnership with South Korea's Hyundai Heavy Industries (HHI) for the development of a shipyard in Saudi Arabia will add greater value to Saudi Arabia's economy, boost localization efforts, and help to create jobs for Saudi nationals (President/CEO, Saudi Aramco 2015). Ship owners prefer to break their vessels on south Asian beaches because the cost of labor is criminally cheap, and they can easily make dirty profit from the south Asian ship-recycling sharp practices. Out of 768 ocean-going vessels that were recycled in 2015, 469 were broken on the beaches of Pakistan, India, and Bangladesh. And seventy-nine percent of ships sold for recycling in the first quarter of 2016 ended up on the same south Asian beaches. Ships in Bangladesh, India, and Pakistan are frequently dismantled on beaches and piers, rather than in dry docks or dismantling slips (International Law and Policy Institute). Ship recycling in these countries is subject to less control and inspection. Nigeria can carve a niche for itself in this business by capitalizing on its cheap working population. The dynamism of Nigerian population is that it is relatively young and it can be regarded as a working population (International Finance Corporation, Nigeria).

The commencement of a U.S. shale gas boom and Russia's Yamal LNG project have prompted surging demand for both LNG and LPG carriers. Iran's 40 million and Nigeria's 22 million metric tons of LNG per year are also factors influencing a turnaround in the market of new LNG tankers construction. Nigerian bitumen deposit is estimated at 42.74 billion metric tons, (Blacks Greatest Homeland: Nigeria is Born Again), an indicator for more bitumen carriers. The commencement of sulphur emissions rules within certain geographic zones (Emissions Control Areas or ECAs) and the Energy Efficiency Design Index (EEDI) for new buildings to a thirty percent reduction in emissions by 2025 are indications toward a low sulphur-shipping industry in the future. It is significant to say that the introduction of global sulphur caps in 2012 has become a major driver in ship design. Therefore, the global 0.1 percent sulphur content limit intends to also increase demand for new ship engines.

One interesting factor about the shipbuilding market is that it is versatile. It serves all the markets: tanker, containership, Ro-Ro, dry bulk, multipurpose, etc., so it can easily switch to where there is a demand. For instance, with the sudden return of interest in Aframax crude carriers, 57 new orders were placed in 2015. This is the highest number of Aframax crude oil tanker orders since 2006 when 101 were ordered. In 2003, Hyundai's Vinashin yard in Vietnam shifted from its focus on bulk carriers into new business areas, such as tankers, with a fifty percent increase in its order book.

The shipbuilding industry is part of a sophisticated marine cluster with upstream and downstream links, as well as connections to other clusters including logistics and electronics (OECD 2013e). The shipbuilding value chain is composed of many different activities from design to post sales and the high degree of modularity in the industry means production can be fragmented across different units and countries in a global value chain.

Availability of steel in Nigeria is one of the domestic links to shipbuilding. Nigeria is one of the world's largest producers of steel, but local demand for Nigerian steel is still very low and this limits the growth of the nation's steel industry. Many steel plants in Nigeria are currently operating below thirty percent of their production capacity as a result of low patronage (Manufacturers Association of Nigeria). Significantly, one of the commercial ways in which Nigerian steel can be locally patronized is through shipbuilding because it is a huge consumer of steel. Shipbuilding has been a major driver of steel consumption in Korea—as much as 77.6 percent of South Korean steel plate shipment went to shipbuilding (Korea Iron and Steel Association). The Nigerian shipbuilding industry is also capable of resuscitating the Nigerian marine equipment and ship spare parts industries. Around eighty percent of Korea's marine equipment output is produced by members of the Korea Marine Equipment Association (KOMEA). KOMEA companies recorded production worth $11.9 billion in 2011 (Korea Iron and Steel Association) and are still growing. Algeria's heavy investments in port capacity and skills development helped the nation to jump straight into the ten fastest-growing ship parts trading nations. If Nigeria is to revamp its ship construction industry, it will require massive investment, scientific industrial programming, a robust subsidy arrangement, a structured work force and private sector, and smartness in negotiating strategic partnerships and bilateral agreements with international friends.

Conclusion

Nigeria remains a new destination for future maritime investments, but no one will invest in a country where there is fear and uncertainty, policy inconsistency, and no rule of law. At the moment, Nigerians are not even investing in their own economy because they are afraid of the Economic and Financial Crimes Commission probing into the sources of their funds. One vital point worth noting is that solutions to Nigerian economy woes are inherent. However, that does not stop the nation from cementing synergies with non-Nigerians; the reality is that Nigeria needs to dutifully harness its natural and human endowments for national gain.

Until Nigeria embraces diversification of its economy; total overhaul of legislation, institutions, and regulatory framework; development of local content in the maritime industry; and professionalism as the yardstick for appointing maritime administrators and practitioners, its maritime industry will continue to face obstacles, and the hope to tap maritime revenue estimated to generate $7 trillion annually will remain a mirage. The Nigerian government is expected to demonstrate a strong political will in diversifying the economy, but it seems President Muhammadu Buhari appreciates oil and gas more. The Ministry of Petroleum Resources, under President Buhari's supervision, is set to present a new national oil policy, national gas policy, downstream policy, and fiscal reform policy to the Federal Executive Council of Nigeria. These new policies are to provide clear-cut policies, coordinate the business relationship between government and investors, reflect current trends in the global oil industry, and address fiscal issues in the petroleum industry. However, the Nigerian maritime industry is being treated as an orphan.

Nigerian maritime is an industry with no direction. The current shipping policy in Nigeria, the National Shipping Policy Act of 1987, was enacted following Nigeria's ratification of the United Nations Code on Trade and Development (UNCTAD). The government is making no effort to replace this obsolete and faulty act. Even the Nigerian Maritime Administration and Safety Agency have no clearly outlined vision for national maritime policy. A tailored national maritime policy that will provide definite long-term vision and an action plan for shipping reforms built around direct participation is what Nigerians are anticipating. Those in charge of these proposed reforms in Nigerian shipping should be conversant with Section 17 of the Nigerian Investment Promotion Commission Act of 1995, which allows a non-Nigerian to invest and participate in the operation of any enterprise in Nigeria because it contravenes the principle behind Cabotage Act of 2003 and could be a big challenge to the prospect of local content in Nigerian shipping reforms. An oceans policy is also needed in Nigeria to modernize the nation's ocean management; the port concession agreements are overdue for review; and the Presidential Committee on Development of the Maritime Industry 2012 Report also deserves implementation.

Endnotes can be found online at http://apj.fas.harvard.edu/

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