



## Nigeria-United Kingdom Economic Relations and National Development, 2015-2023

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### Abstract

The study examines the economic relationship between Nigeria and the United Kingdom, especially in relation to the impact of Brexit, Foreign Direct Investment (FDI), brain drain, student exchanges and technological development. The central problem is the effect on trade and economic development, especially in Nigeria. The research will consider the effects of Brexit on trade and investment, the effect of FDI from the UK on the economic growth of Nigeria, the effects of brain drain and the effects of educational and technological exchanges and innovations on the economic relationship between the two countries. The study uses the complex interdependence theory. This study is qualitative, with data sourced from government reports, academic articles and reliable media sources. The data were analysed using content and thematic analysis. The findings reveal Brexit has impacted trade between Nigeria and the UK; the new trade restrictions have increased costs and reduced competitiveness. Brexit uncertainties have led to declining UK investments in Nigeria and brain drain in health care and education, further exacerbating Nigeria's development challenges. Education exchanges have strengthened relations but the brain drain to the UK has weakened the potential for education exchanges to promote development in Nigeria. The use of digital technologies, particularly in the digital economy, has facilitated collaboration but presents challenges for Nigeria. As such, the study concludes that Nigeria needs to focus on infrastructure, address policy uncertainties, retain professionals and use digital technologies for diversification. Improved collaboration will encourage development and strengthen the Nigeria-UK relationship.

**Keywords:** Nigeria–UK relations, Brexit, foreign direct investment, brain drain, technological innovation

### 1. Introduction

The economic relationship between Nigeria and the United Kingdom has been the subject of many empirical studies which have explained many aspects of such relations and their effects on the national development. These studies give a holistic understanding of the forces at work, the issues faced, and the possible approaches of improving bilateral relations to deliver sustainable development in Nigeria.

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The economic relations between Nigeria and the United Kingdom between 2015 and 2024 are characterized by the presence of major challenges that affect the national development of Nigeria. Even though the bilateral relations have a long history, there are a number of problems, which impede the possibility of sustainable development. The trade imbalance is one of the challenges that are persistent. The high dependence on crude oil exports and large imports of manufactured products in the UK predispose the Nigerian economy to fluctuating prices of oil in the global market and the failure of diversifying its exports [1]. This imbalance does not only threaten the stability of foreign exchange of Nigeria but also limits the industrial growth of Nigeria.

The other burning question is that the UK foreign direct investment (FDI) is not so effective in promoting broad-based economic growth. Although UK FDI has played an important role in telecommunications, finance, and energy, regulatory bottlenecks, corruption, and poor infrastructure have greatly reduced its positive effect (Okafor & Ekeocha, 2020). Moreover, geopolitical events like Brexit have raised doubts on trade policies and investment flows and have complicated the already weak economic relationship.

Brain drain is also a phenomenon that continues to aggravate problems in the development of Nigeria. Many qualified Nigerian workers have also migrated to the UK to seek improved opportunities, and this has cost the country a significant amount of human capital that is required to drive innovation and economic development [2]. Despite the relief that remittances offer the economy, the long run effects of this talent drain are detrimental to the quest of developing a strong domestic workforce. In addition, educational flows, though fruitful in terms of knowledge and skills transfer, have failed to deliver sustainable development results because there are still issues with the integration of returning graduates into the Nigerian labor force (Nwafor & Thomas, 2021).

The research article by Adeniji and Olayinka is called Trade Patterns and Economic Relations between Nigeria and the United Kingdom and it explores the trade relationship between the two countries [3]. They found that the trade relationship is skewed mostly towards the exportation of crude oil by the Nigerian and the importation of manufactured products by the UK. Although Nigeria enjoys the fruits of oil export, the dependence on one product poses a lot of threats to the stability of the economy, given the fluctuation of the international oil prices. As suggested by Adeniji and Olayinka, diversification of the export base in Nigeria to incorporate additional non-oil products should be considered as it would facilitate the establishment of a more balanced trade relationship and make the economy more resilient [4].

Another important study was by Okafor and Ekeocha which was devoted to Foreign Direct Investment and Economic Growth in Nigeria [5]: The Role of the United Kingdom. Their study revealed the vitality of the UK foreign direct investment (FDI) in telecommunication, finance, and energy sectors that adds significantly to the economic growth. Nevertheless, Okafor and Ekeocha (2020) also noted that regulatory bottlenecks, corruption, and poor infrastructure are also some of the challenges that limit the full potential of these investments. They have made the conclusion that to attract and retain more FDI in Nigeria by the UK, the business environment needs to be improved to stimulate economic growth.

The study by Adeyemi and Johnson addressed the phenomenon of brain drain in their article named Human Capital Flight: The Impact of Migration on Nigeria-UK Relations [6]. They discovered that many talented Nigerian workers leave the country to pursue more lucrative jobs in the UK and this has caused loss of human capital in Nigeria. Although the

diaspora remittances are beneficial to the Nigerian economy, the impact is experienced in the long run because it leads to lack of skilled labour that can be used in developing the country. Adeyemi and Johnson concluded that the sustainable development is not possible without tackling the core of the migration issue, which is to ensure that the local working conditions are improved and that the skilled professionals have better incentives to stay in Nigeria [7].

The Nwafor and Thomas research investigated the influence of educational exchanges on bilateral relations and the development of countries [8]. Their results indicated that the educational interactions have promoted knowledge and skills transfer whereby, most Nigerian students have gained higher degrees in the UK institutions. These interactions have led to understanding and collaboration between the two nations. Nwafor and Thomas however observed that to make such benefits translate into national development, there should be policies in place to make sure that returning graduates are properly absorbed into the local economy [9]. They concluded that it is important to enhance institutional structures and provide avenues to these talented people to maximize the returns of the educational exchanges.

Although the current literature is valuable, there are still a few important gaps in the knowledge of the economic relations between Nigeria and the United Kingdom and their influence on the development of the country. A significant gap is that the effects of Brexit on these economic relations require a thorough analysis. Though several researches have been done on the aspects of the bilateral relationship, the implications of the UK leaving the European Union on the trade, investment, and economic cooperation with Nigeria have not been clearly researched. This loophole is essential, and Brexit might change the trade agreements, the flows of investments, and the general economic relations between the two nations.

Moreover, little empirical studies have been conducted on the effects of United Kingdom foreign direct investment (FDI) on the economy of Nigeria and barriers to the investments. Although other studies have pointed out the presence of UK FDI in some of the most important sectors, including telecommunications, finance, and energy [10][11], the particular obstacles to it, including regulatory bottlenecks, corruption, and insufficient infrastructure, which restrict the potential of these investments, should be examined in more detail. The importance of these challenges is the need to develop effective policies to attract and retain more FDI that is vital in the economic development of Nigeria.

The other gap is the fact that there has been minimal research on the phenomenon of brain drain between the United Kingdom and Nigeria and its effects on the human capital development in Nigeria. Despite the fact that the Nigerian economy is benefiting out of remittances made by the diaspora, there has not been enough time to consider the long-term impacts of losing the skilled professionals to the migration process. Further studies are required to know the factors behind this migration and to come up with measures to retain talent in Nigeria.

Moreover, little has been done to address the importance of learning between Nigeria and the United Kingdom in strengthening bilateral relations and national development. Such interactions will be able to transfer knowledge and skills that will enhance improved collaboration between the two nations. It is on this background that this paper has been conducted to analyse the 'Nigeria-United Kingdom Economic Relations and National Development, 2015-2024'. This paper will address the described gaps by offering an in-depth

examination of the latest tendencies, issues, and prospects in the Nigeria-UK economic relations. Specifically, the study seeks to:

1. Examine the impact of Brexit-induced trade and policy changes on Nigeria–UK bilateral trade relations and their implications for Nigeria’s national development (2015–2024).
2. Assess the impact of United Kingdom foreign direct investment (FDI) on Nigeria’s economic growth and development
3. Identify and critically analyze structural, institutional, and policy constraints hindering effective Nigeria–UK economic relations and their developmental outcomes

### **Theoretical Framework**

The paper is based on the Complex Interdependence Theory, which was created by Robert O. Keohane and Joseph S. Nye in 1977 in their famous book *Power and Interdependence*. The theory was developed as an opposition to classical realism, which perceived international relations in the form of military strength and state security. Keohane and Nye opined that the world system that emerged after the Second World War had become more interdependent where economic, institutional and transnational connections greatly informed state behaviour [12]. Complex interdependence assumes that states are related in a variety of channels such as trade, finance, migration, technology and education, and not only in diplomatic or military relations. It underlines the fact that in such system, economic relations are in the centre of the foreign policy and power is not only exercised by coercion but also by economic power, institutional relations and asymmetrical dependence [13]. This theory can be an adequate prism in the analysis of how trade, foreign direct investment (FDI), skilled migration, educational exchanges, Brexit, and digital alliances establish patterned forms of reciprocal, albeit unequal, dependence between the two nations in the context of the analysis of the economic relations between the two countries during the period of 2015-2024.

Complex Interdependence Theory provides a modern and holistic approach to the analysis of the economic relations between Nigeria and the United Kingdom and the implications to the national development in the period between 2015 and 2024. It goes beyond traditional trade theory and structural dependency approaches by acknowledging the existence of various channels of interaction, institutional connections and asymmetrical vulnerabilities. The theory is specifically well-suited to analyze Brexit-related changes, FDI flows, migration, educational diplomacy, and digital economy alliances in an interconnected global system. Representing this study with complex interdependence, the analysis connects the economic engagement to the development outcomes in a systematic way, taking into consideration the presence of power asymmetry and institutional processes. It thus offers a well-rounded, contemporary and analytically sound basis of the discourse of the changing nature of Nigeria-UK relations in the current global political economy.

### **2. Research Method**

The research design used was a qualitative research design in order to investigate the effects of Nigeria-United Kingdom economic relations on national development. The rationale behind this method is that it can be used to gain a deep insight into intricate economic, political and social dynamics that are not necessarily well represented by quantitative approaches. The researchers examined the opinions of stakeholders, policy framework, and real-life examples of bilateral engagement through interviews, document analysis, and case studies. The research was based solely on secondary data which were textbooks,

government publications, newspapers, journal articles, internet and other academic materials. The international and local media reports were also used in data collection to ensure breadth and credibility through CNN, BBC, Aljazeera, Reuters, and Fox News. To analyze it, the study used content and thematic analysis to determine the recurring patterns, themes, and insights between 2015 and 2023. The approach offered objective grounds to conclusions and recommendations to improve Nigeria-UK economic relations and promote national growth.

### 3. Results and Discussion

#### **Impact of Brexit-induced trade and policy changes on Nigeria–UK bilateral trade relations and their implications for Nigeria’s national development (2015–2024).**

The exit of the United Kingdom out of the European Union, also referred to as Brexit, has had far-reaching consequences in the economic relations of the world. In the case of Nigeria, one of the most important partners in the Commonwealth and an influential figure in the economic situation of Africa, the post-Brexit period offers both threats and opportunities. This discussion explores the multi-layered effects of Brexit on the Nigeria-UK economic relations by analysing the trade dynamics, investment flows, and the general economic strategies.

**Trade Dynamics, Shifts and Realignments:** The economic relationship between the United Kingdom and Nigeria has experienced a lot of shifts since Brexit. Before the UK left the European Union, Nigeria enjoyed the Economic Partnership Agreements (EPAs) by the EU, which enabled it to have preferential access to European markets (Smith, 2020). After Brexit, the UK wanted to continue with trade continuity with Nigeria and this was to be done by bilateral replication of these agreements. The transition has not been smooth though. In 2024, the total trade between the UK and Nigeria in goods and services was PS7.2 billion, which is 7.6% lower than that of the year before [14]. This is due to various factors such as depreciation of the British pound and the uncertainty in the global economies which have influenced the flow of trade in the world. An example of this is the depreciation of the British pound which has increased the cost of Nigerian exports to the UK consumers, resulting in a decrease in demand [15]. It is important to note that the UK exports to Nigeria grew by 3.2% and imports declined by 28.3% which shows a change in the trade balances [16]. The UK leaving the EU has also created new trade barriers not only to the European trade but also to trade flows between African nations such as Nigeria [17]. These obstacles such as customs checks and regulatory divergences have raised the cost and complexity of conducting business, which has affected Nigerian exporters [18].

The reduction in the imports of Nigeria can be explained by a number of factors. The fall of the British pound has increased the prices of Nigerian exports to the UK consumers, which may decrease demand [19]. Moreover, due to such factors as inflation and the post-pandemic consequences, the world economy has become unstable, which has reduced consumption and investment, which impact the importation of goods [20]. Indicatively, the demand of its oil, one of the most important exports to the UK, has decreased due to the changing global oil prices and the decreased industrial activity in the UK [21]. Moreover, the emergence of new trade barriers and regulatory complications after Brexit has complicated the cost of doing business. Nigerian exporters have been affected by these changes, as they have to endure new customs checks and more stringent rules, which increases the cost of

operating [22]. All these factors have therefore led to the current decrease in the imports of Nigeria to UK.

In spite of these difficulties, there are new prospects of enhancing the Nigeria-UK economic relations. The post-Brexit plan of the UK implies finding new trading partners and investment opportunities outside the EU [23]. Nigeria has a huge market and a resource-rich economy, which has potential areas of cooperation, especially in such areas as renewable energy, agriculture, and technology [24]. To give an example, the UK campaign in favor of green energy projects coincides with the aspirations of Nigeria to diversify its energy resources, and this offers a point of future cooperation [25]. Moreover, Nigeria has been keen on economic reforms, including infrastructure and regulatory improvement, which would be appealing to the UK investment [26]. The given efforts are supposed to help navigate the post-Brexit period and improve the economic relationship between Nigeria and the UK (as well as other countries of the world) and emphasize that there is an opportunity to develop both countries despite the existing challenges [27].

Investment Flows, Opportunities and Constraints: Foreign Direct Investment (FDI) is a key driver in the economic growth of Nigeria, as it is a driving force in industrial growth, development of infrastructure and transfer of technology. Traditionally, United Kingdom has been a major contributor of FDI in Nigeria especially in oil and gas, infrastructure and manufacturing. Nevertheless, in recent statistics, it is observed that there is a significant drop in the UK investment flows to Nigeria. Outward stock of the UK FDI in Nigeria stood at PS393 million in 2023, which is a decline of 23.1 per cent compared to the last year [28]. This decline is credited to a number of factors such as economic uncertainties due to Brexit and global economic climate. The domestic economic challenges of the UK after Brexit can have shifted the attention and resources to other countries, such as Nigeria, not considering international investments [29]. Also, the UK investors have found it less appealing to invest in Nigeria due to the introduction of new trade barriers and regulatory complexities [30]. All these lead to the witnessed decline in UK FDI in Nigeria.

The fall in the UK Foreign Direct Investment (FDI) in Nigeria is supported by the official data of the UK Government. The UK Department of Business and Trade indicates that by the end of 2023, UK FDI in Nigeria will be PS393 million, equivalent to a 23.1% drop compared to the preceding year. The cause of this decline is said to be economic uncertainties due to Brexit and global economic atmosphere, and new trade barriers and regulatory complexities that have rendered Nigeria a less appealing target to UK investors [31].

Equally, the inward FDI between Nigeria and UK has also decreased. By the end of 2023, inward stock of FDI in the UK by Nigeria had decreased to PS509 million, which is 38.8% lower than the end of 2022 [32]. This decline is indicative of a larger trend of reduced flow of investments between the two countries, which is affected by the presence of economic uncertainties, regulatory difficulties and changes in investment priorities. The decreasing rate of inward FDI between Nigeria and UK highlights the fact that both nations need to re-evaluate their investment policies and seek new forms of partnership. Nevertheless, new prospects of enhancing the Nigeria-UK economic linkage exist. The post-Brexit policy of the UK implies the search of new trade partners and investments outside the EU. Nigeria has a huge market and resource-based economy, which can become potential areas of cooperation, especially in such spheres as renewable energy, agriculture, and technology [33]. Nigeria can overcome the post-Brexit period and enhance its economic relationships

with the UK and other partners worldwide with the help of its strategic location, resource prosperity, and its dedication to economic reforms.

**Economic Strategies: Diversification and Resilience:** With the changing nature of the Nigeria-UK economic relations since the Brexit, Nigeria has been working harder to diversify its economy and no longer rely on the traditional trade partners and sectors. The Nigerian government has realized the necessity of having economic resilience and as such, has tried to enhance relations with the other Commonwealth countries and venture into the new markets in Asia and Africa. The strategic shift is meant to reduce the risk that comes with overreliance on the UK and the oil industry and hence create a more balanced and sustainable economic growth path. To give an example, Nigeria has been involved in the interaction with China and as a result, it has made major investments, including a 1.2 billion-dollar agreement with the China National Chemical Engineering Corporation to upgrade one of its major gas processing facilities, highlighting the willingness of the country to expand its economic relationships [34]. On the same note, Nigeria has also signed trade agreements with India in order to increase its agricultural exports to increase its presence in the world agricultural market [35]. All these are done to minimize the reliance of Nigeria on oil exports, which is susceptible to price changes in the international market.

At the same time, Nigeria has been boosting local industries to strengthen self-reliance. Another interesting case is the project by Aliko Dangote to ensure Africa becomes self-reliant in fertilizer production in 40 months by expanding his fertilizer plant with a capacity of 2.5 billion dollars in a location near Lagos. At the present, the annual imports of fertilizer in Africa are more than 6 million metric tons and this affects the foreign exchange reserves. Dangote plans to transform his complex into the largest producer of urea in the world, overtaking Qatar, by increasing its present 3 million tons per year capacity twice. This will not only solve the fertilizer requirement of the continent, but it will also make Nigeria a major player in the world agricultural supply chains. The attempts of the Nigerian government to encourage industrialization and production has resulted in the development of the Nigerian Industrial Revolution Plan (NIRP) which is designed to boost the local production and decrease the dependency on imports. This change is essential in the long term economic development of Nigeria, as it aims to create a more diversified and robust economy.

Moreover, Nigeria has been keen on diversification of its economy as the infrastructural developments have shown. A monumental project, the Lagos-Calabar Coastal Highway, a 700-kilometer infrastructural project will link Victoria Island and Calabar to enhance transport in the coastal states in Nigeria. The project will open the economic opportunities of underserved communities, leading to the integration of the region and increased tourism. Also, the Lagos Rail Mass Transit, which includes the Blue, Red, and proposed Green Lines, is meant to ease the traffic congestion, decrease the travelling time, and ensure sustainable urban movement. Such infrastructural projects do not only increase connectivity, but also promote economic activities through movement of goods and people, which will help in addressing the economic resilience and diversification efforts of Nigeria. Therefore, these development projects will be in tandem with the long-term goal of Nigeria to become an industrialized economy that can support growth regardless of the fluctuations in oil prices in the world market.

## Impact of United Kingdom foreign direct investment (FDI) on Nigeria's economic growth and development

The Brexit effect on the economic relationship between Nigeria and the United Kingdom has been so immense that it has transformed the dynamics of trade, investment, and economic policies of the two nations in the long term. Since the United Kingdom was out of the European Union, it was forced to negotiate its trade relations with non-EU states including Nigeria. This change posed not only difficulties but also opportunities in economic relations between two countries. The significant spheres of influence are related to trade, foreign direct investment (FDI), and diversification measures taken by Nigeria to make its economy resilient in the post-Brexit world.

**Trade Relations and Change of Trade Agreements:** The United Kingdom has left the European Union, a phenomenon known as Brexit, which has significantly influenced the trade relations of the world, especially between the country and the non-EU countries such as Nigeria. Before Brexit, Nigeria enjoyed the benefits of the Economic Partnership Agreements (EPAs) of the EU that gave it access to European markets on preferential terms. But, in the case of Brexit, these agreements did not apply to the UK anymore, and the new bilateral trade agreements between the UK and Nigeria have to be made. In reaction, the UK tried to replicate the trade advantages of the EU-EPAs by signing the Enhanced Trade and Investment Partnership (ETIP), in 2021, which sought to reinforce the economic ties between the two countries. The new deal is securing the trade but at a cost, the main problem is that the cost and regulation changes caused by Brexit are higher. Although the ETIP aims to ensure continuity in trade, it has been forced to deal with the challenges of customs checks and regulatory divergences, which were not a major issue in the EU system.

Brexit effects on trade relations between the UK and Nigeria can be observed in the statistical drop in the trade volumes after Brexit. By 2024, the overall trade of the UK with Nigeria in goods and services decreased by 7.6% over the last year and reached PS7.2 billion. This fall is explained by a number of the most significant reasons, including the weakening of the British pound and the global economic risks. The low value of the pound has increased the prices of the Nigerian exports in the UK thus lowering demand. As an example, UK exports to Nigeria increased by 3.2% but the Nigerian exports to the UK fell by a significantly higher 28.3% highlighting a change in trade balances. Moreover, the new customs checks and regulatory barriers not existing under the EU structure have increased the cost and complexity of conducting business by Nigerian exporters. These trade barriers are a manifestation of the economic difficulties that have been experienced since Brexit, particularly by the countries such as Nigeria that were previously enjoying easier access to the UK through trade.

The new trade barriers, which come with new logistical and regulatory challenges, have demonstrated the need to address them even more in the post-Brexit environment. Nigerian exporters are now subjected to more custom checks, and this has made it even harder and more expensive to deliver goods to the market. Previously, the Nigerian products like oil and agricultural products could find an easy way into the UK market, but now that the UK is not in the single market of the EU, the goods are subject to stricter rules, and this makes it costly and time-consuming to trade. These challenges have been increased by the introduction of new paper work, tariffs and delays in ports, which have put the Nigerian businesses at a disadvantage. Although the ETIP is a necessary measure towards alleviating these problems, there are still numerous obstacles to overcome, and the success of the trade agreement will

be determined by the ability of both parties to overcome these complexities in the future. These obstacles highlight the importance of the UK and Nigeria to keep collaborating to make the processes easier and less frictious due to the new trade dynamics brought about by Brexit.

The above graph shows the effects of Brexit on the UK-Nigeria trade relations in 2024. It gives emphasis on the percentage change in the UK exports to Nigeria and Nigerian exports to the UK. UK exports to Nigeria were slightly up by 3.2 and the Nigerian exports to the UK had a stronger decline of 28.3. The overall UK-Nigeria trade in goods and services amounted to PS7.2 billion in 2024, and this represents a decrease of 7.6 percent compared to the preceding year. This has been caused by a number of reasons, among which are the depreciation of the British pound, the introduction of new customs checks and regulatory barriers caused by the UK leaving the EU.

Foreign Direct Investment (FDI): Declines and Shifting Priorities: Brexit has had a considerable impact on the situation in the area of Foreign Direct Investment (FDI) between the United Kingdom and Nigeria, which resulted in significant reduction of investment flows. The UK has traditionally been among the biggest contributors of FDI in Nigeria especially in areas such as oil and gas, infrastructure, and manufacturing. Nonetheless, after Brexit, the FDI by the UK in Nigeria declined significantly. The UK FDI outward stock in Nigeria also declined in 2023 by 23.1 to PS393 million compared to other years. This downturn can be explained by several reasons, such as the economic uncertainties caused by Brexit, the attention of the UK to the domestic economic recovery, and the rise of the regulatory complexity of trading with Nigeria. The Brexit of the UK raised questions in the area of trade relations, and the threat of regulatory divergence made it more expensive and complicated to run business with the markets in Nigeria. As an example, the reintroduction of custom inspection and the lack of a single trade system under the EU have complicated the investment of UK companies in Nigeria. Also, the UK has been more concerned in negotiating trade agreements with other nations, and this has diverted attention and resources out of investments in Nigeria, which further led to the deterioration of FDI.

Equally, the inward FDI between Nigeria and UK also decreased remarkably. The inward stock of FDI between Nigeria and the UK decreased by 38.8 in 2023, which shows a decline in investment flows in both directions. This downward trend is indicative of bigger issues of the economic uncertainty after Brexit. Both the UK and Nigeria have been more apprehensive of cross-border investments and each of the countries has been managing its own internal economic issues. The shrinkage in investments has directly affected areas like infrastructure and manufacturing which are so dependent on foreign investments to grow and develop. Also, the UK orientation on the economic recovery after Brexit could have also changed the priorities of investments, making the UK market less appealing to the Nigerian investors. These changes in the flows of investments highlight the larger problems that Brexit has cast over the world of investments and especially to developing nations such as Nigeria.

The fall in FDI has wider effects to the two economies. To Nigeria, the UK investment is reduced in key areas like energy, infrastructure, and manufacturing in industries, which could paralyze the development process of the country. The reduced flows of capital restrict the supply of funds to be used in necessary infrastructural developments, which are required to industrialize Nigeria and develop its economy. In the case of the UK, the decline in inward FDI is an indicator that its economic status in the world is being undermined. With a decreased flow of investments in the UK especially those of emerging economies such as

Nigeria, the UK is struggling to retain its position as a major investment destination. Moreover, the reduction in FDI not only prevents the creation of jobs but also decelerates the economic recovery process because new investments are the key to the rejuvenation of major spheres. To overcome these scenarios, both countries should implement measures to attract and retain foreign investment, simplify their regulatory procedures, and improve investment structures to facilitate the growth of each other in the post-Brexit period.

**Identify and critically analyze structural, institutional, and policy constraints hindering effective Nigeria–UK economic relations and their developmental outcomes**

The trade and investment flows between Nigeria and the United Kingdom have been marked by economic relations that have been of great significance and this explains the strategic nature of the bilateral relations. Nevertheless, there are a number of issues that hinder its potential. These problems include structural economic, policy inconsistencies, infrastructural shortages and geopolitical factors, which together make the further development of the economic relations between the two countries difficult.

The above horizontal bar graph illustrates the issues that impede the economic relations between Nigeria and the United Kingdom as discussed above. Among the major economic factors, the graph singles out inflation rate in Nigeria (28.92% in 2024), the depreciation of the naira (40.9% decline in value), and the high rise in fuel prices (N617 per litre in 2023). These issues directly impact the capacity of Nigeria to have good economic relations with the UK, making it more expensive to do business, making trade challenging, and investments are discouraged.

One of the main factors that limit the economic relations of Nigeria and the United Kingdom is the economic instability of the former as it provides an unstable business environment and difficulties in the trade relations. In 2024, inflation in Nigeria has risen to 28.92, the highest rate in 27 years, and it has greatly affected the cost of living and the purchasing power of most Nigerians. The effects of this inflationary pressure have been far reaching such as the increased prices of goods and services, which are rendering the Nigerian exports less competitive in the global market. Inflation has been experienced in many sectors, such as agriculture, manufacturing, among others, where companies find it difficult to absorb production costs and transfer them to consumers. The difficulties are particularly acute in the trade relations with the UK because the increased costs decrease the demand on the Nigerian products in the foreign market. Also, this inflation has led to reduced savings and investments which have discouraged foreign investment and complicated the current trade agreements. These economic fluctuations also impact the UK as a significant trading partner because, in the face of the increased costs in Nigeria, the cost of imports also rises, and trade becomes less profitable to British companies.

Besides inflation, the naira has also weakened significantly thus making trade relations between Nigeria and the UK even harder. In 2024, the value of the naira fell with the official rate of exchange at the year-end being N1,535 to the US dollar, which is a 40.9 percent decline in value compared to the prior year. This undermining has increased the cost of Nigerian exports to foreign consumers, such as the UK, lowering the competitiveness of the Nigerian products in the global market. At the same time, the naira is depreciating, which raises the prices of imports, such as necessary items in the UK, which also adds to the imbalances in trade. British firms operating in Nigeria have to grapple with the high cost of importing raw materials and finished products and the resultant low margins and operation difficulties. Unpredictability of the naira increases the challenge of predicting costs and profits

by the UK-based companies hence discouraging future investments in Nigeria. Also, the volatility of the foreign exchange exposes UK investors to more risks, which makes it even harder to have a stable and mutually beneficial economic relationship.

Moreover, the elimination of fuel subsidies in 2023 (despite its long-term fiscal consolidation purpose) directly affected the economic stability of Nigeria and its relations with the UK. The removal of fuel subsidies caused the fuel prices to skyrocket to N617 per litre, and this increase greatly increased the cost of transportation in the whole country. The economic impacts of this surge in fuel prices have been experienced in a trickle down effect since it has not only increased the cost of logistics and production but also on local business and foreign companies, including those based in the UK but with operations in Nigeria. Inflation has also been caused by the increased fuel prices which have further reduced purchasing power and reduced domestic consumption. To the UK companies, especially those in the retail, manufacturing and logistics industry, these higher costs have lowered their profitability and made it harder to do business in Nigeria. Although the fiscal health in the long-term perspective is viewed as a reason behind the removal of fuel subsidies, the short-term outcomes have worsened bilateral economic relationships by disrupting business stability and posing uncertainty to both domestic and foreign investors. Although these policy changes are needed to restructure the long-term economic structure of Nigeria, they have short-term undesirable consequences that must be well handled to avoid additional destruction of international economic relations.

Corruption is also a widespread problem in Nigeria, which has greatly deterred investor confidence and made doing business more difficult. Corruption is one of the major obstacles to economic development that the World Bank identifies, frequently mentioned by local and foreign investors as the reason why they would not want to conduct business in Nigeria. Such chronic corruption results in inefficiency in the delivery of public services, misplaced resources and lack of transparency in government transactions. In the case of UK based businesses that are interested in setting up or expanding their operations in Nigeria, it is difficult to go through this complex terrain without extra resources and plans to avert the risks involved.

Corruption is widespread in Nigeria, and it is evident in all aspects of its development, such as infrastructure, procurement, and regulatory approvals. As an example, in 2010, Nigeria and Process & Industrial Developments Ltd (P&ID) signed the Gas Supply and Processing Agreement (GSPA), which resulted in an award of more than US\$11 billion against Nigeria in an arbitration tribunal in the UK, but was overturned by the tribunal in 2023 following evidence of fraud and corruption. These high-profile cases do not only erode the international image of Nigeria but also scare away potential investors who consider the business environment as unpredictable and full of risks. There is also the problem of poor implementation of anti-corruption laws, which further complicates the situation since those who commit the crime usually go scot free, thus, causing a culture of impunity.

In addition, corruption in Nigeria leads to misuse of the government funds as the government funds are redirected to individual pockets instead of being used in constructing important infrastructures and social amenities. Such a diversion negatively affects the growth of other important sectors like education, healthcare, and transportation, which are key to economic growth and reduction of poverty. The inefficiency in the delivery of public services is not only impacting the quality of life of the Nigerians, but also the operational expenses of businesses including the UK based ones. As an illustration, the construction industry is prone

to delays and cost overruns as a result of corruption in the contract awarding process and procurement, which results in high costs and project schedules to foreign investors.

Infrastructural shortages in Nigeria pose serious threats to the economic relationship between the country and the United Kingdom especially in areas that are critical to the bilateral trade and investment. Among the major threats is the inability to have good transport systems that can ensure goods and services are moved efficiently. This leads to high operational expenses and low competitive business in the international market by the Nigerian business. As an illustration, the Apapa-Oshodi-Oworonshoki-Ojota Expressway in Lagos, which is an important transport route with freight and passenger traffic, has had a lot of delays in its rehabilitation. Such delays affect logistics, raise costs in transportation, and business efficiency. These infrastructural bottlenecks also make the existing trade agreements more difficult and discourage any potential investor since the uncertainty and extra costs that are added to the supply chains make doing business difficult. The investors in the UK, especially, could be reluctant to extend their operations in Nigeria, considering the dangers of the unpredictable infrastructure.

Besides the transportation problem, the power supply problem in Nigeria also contributes to the economic environment. Although this can produce 13,000 megawatts of electricity, the country can only transmit approximately 4,000 megawatts of electricity because its infrastructure is fragile. This intermittency in power supply causing frequent blackouts in big cities such as Lagos, Abuja and Kano disturbs business activities, increases the costs and decreases investor confidence. Some of the businesses of UK in Nigeria usually have to invest in alternative power supply like diesel generators which increase their costs of operation. Such power failures may cause delays in production, which in turn may influence the delivery of goods and services on time, and hence the competitiveness of companies of Nigeria in the international market. This complicates the financial planning of the UK companies and greatly exposes them to operational risks. The power supply in Nigeria remains unreliable and this is what has been affecting the domestic and foreign business in the country.

Additionally, the digital infrastructure in Nigeria is not sufficient, which restricts the development of the digital economy and prevents the development of such sectors of the economy as manufacturing and agriculture. Unstable internet connection and digital services in the country limit the access of businesses to world information, e-commerce and current business tools. These restrictions impact productivity and innovation, making it less possible to grow and compete in the global digital economy. To the UK investors, this digital divide poses a hindrance to the adoption of digital solutions, supply chain management, and consumer engagement. Although efforts such as the Digital Nigeria Innovation Challenge are meant to bridge these gaps, the progress is still low and the current digital infrastructure issues are still hindering the development of the digital economy in Nigeria. The possibility of economic diversification and better trade relations between Nigeria and the UK is limited until significant advancements are achieved in the digital infrastructure.

The economic relationship between Nigeria and the United Kingdom is greatly hampered by geopolitical issues especially security issues and lack of consistency in policies. The long-term security issues in different parts of Nigeria provide an atmosphere of uncertainty, which impacts the local and global investments. According to the U.S. Department of State, investors in Nigeria are still concerned with the issue of security because of the threat of violent crime, ransom kidnappings, and terrorism in some regions of

the country. An example is insurgency groups such as Boko Haram in the northeast and armed banditry in the northwest that have led to instability, which has had a devastating effect on trade and investment activities. This instability has brought about capital flight, in that investors, including the UK-based firms, are unwilling to invest in a market where security is at stake. Besides the impact on direct investments, security challenges also disruption of supply chains incurs higher expenses on businesses and makes Nigeria less appealing as a viable destination to international trade and investment. This lack of security complicates long term planning which further deteriorates the establishment or growth of business activities in Nigeria.

In addition to this, the economic environment in Nigeria is complicated by frequent change of policies and lack of continuity in economic planning, which makes it unpredictable. The unpredictability of the policy frameworks undermines the business strategies and long-term investments, which are important in establishing long-term economic relations. As an illustration, the abrupt changes in currency exchange rate and the sudden elimination of subsidies in 2023 upset the normal business activities especially among the foreign investors. This lack of consistency in economic policies impacts the investor confidence since the changes in economic policies may cause substantial financial losses and operational risks to businesses. These uncertainties present a difficult environment to UK businesses operating in Nigeria as more resources and strategic changes are required to address the risks of volatility in policies. Therefore, the lack of consistency in Nigerian policies compromises the stability needed to promote good bilateral economic relationships and scares away potential investors who might want to find more stable situations in other countries.

Moreover, the Digital Trade and Investment Partnership that has been introduced in 2023, despite being a good move, should be implemented regularly to reach its potential of improving bilateral relations. The interest of the UK government in encouraging collaboration in digital trade and investment will be instrumental in developing the digital economy in Nigeria, but the effectiveness and stability of the economic policies in Nigeria will determine the success of this program. Although the partnership does have innovation and collaboration opportunities, the unpredictable policy environment in Nigeria is challenging to its success in the long term. The Digital Trade and Investment Partnership will not have the same effect on enhancing the Nigeria-UK economic relationship without regular and transparent policy frameworks that will enable the initiative to be more effective. Such partnerships must be aligned with wider economic reforms, which is crucial to making sure that they result in the visible benefits of both countries. Therefore, the effectiveness of these programs will depend on the capacity of Nigeria to offer a predictable and stable policy environment that will promote long-term investment and growth.

#### 4. Conclusion

The article, which is entitled, Nigeria-United Kingdom Economic Relations and National Development, 2015-2023, has given a detailed analysis of the changing economic relationship between Nigeria and the United Kingdom, with special focus on the effects of Brexit, foreign direct investment (FDI), brain drain, educational exchanges, and technological innovations. The study came up with the conclusion that Brexit has impacted significantly on the economic relations between Nigeria and the UK. The UK leaving the European Union upset the old trade agreements and added new trade barriers, customs inspections, and regulations. Although the Enhanced Trade and Investment Partnership (ETIP) was designed

to ensure continuity in trading, these difficulties led to a reduction of trade between the two countries by 7.6 per cent in 2024. This change in the trade relationship is consistent with the economic disruption theories that have been put forward as a result of political change and thus the issues that emerge when established global economic relationships are disturbed by events of a geopolitical nature. Regarding FDI, the research established that the UK investments in Nigeria declined drastically after Brexit as a wider trend of declining foreign investment because of economic turmoil and uncertainty in policies. This reduction in the UK FDI has slowed down the progress of such critical sectors as infrastructure and manufacturing which are critical to the growth of Nigeria.

Nonetheless, other projects like Sankore project which encourage technological innovation are opportunities to work together in future and this may counterbalance the decline in the traditional sectors. Nigeria has experienced the brain drain especially in the health care sector and education sector with dire effects on the national development. This migration of skilled professionals has led to severe gaps in these areas, which increases difficulties in the delivery of quality services. This tendency is consistent with the human capital flight theories, and it is important to note that Nigeria needs to improve the working conditions and provide competitive opportunities in order to prevent the migration. Finally, the educational interactions between the UK and Nigeria have been very instrumental in enhancing bilateral relations and national development. International collaboration in human capital development has proved to be important by programmes such as the Chevening Scholarship which has enabled the Nigerians to have the skills needed to develop the country. Although brain drain may be a problem, these exchanges create an avenue through which this loss can be reduced by enabling the Nigerians to have the tools to facilitate innovation and economic development. To sum up, Nigeria-UK economic relationship has a number of challenges, especially after Brexit, but there are great opportunities of mutual development, especially in the fields of technology, education and investment.

### **Recommendations**

Resting on the identified findings, it was stated that the following recommendations should be made:

**Encourage Export Diversification:** Nigeria ought to focus on an effective policy of export diversification that would limit over-reliance on crude oil exports to the United Kingdom. This would be done by promoting agro-processing, light manufacturing, creative industries, and knowledge-based service exports by tax reliefs, export financing and industrial clusters. Enhanced competitiveness in UK markets will be achieved through strengthening value-chain integration and raising the quality standards. Diversification will stabilize the foreign exchange earnings, decrease the susceptibility to the oil price volatility and promote sustainable industrial development.

**Enhance FDI Developmental Impact:** Bilateral investment agreements between the United Kingdom and Nigeria must include enforceable technology transfer, local content, skills development and reinvestment clauses. The regulatory systems should make sure that the foreign direct investment should add value to the country and not only extractive operations. Enhancement of monitoring systems and promotion of joint venture with Nigerian companies will increase domestic absorptive capacity. These reforms will facilitate UK investment to spur industrial upgrading, creation of jobs and structural transformation in the long term.

Adopt Skilled Retention Policies: The government ought to come up with elaborate skilled retention policies to counter the adverse impacts of brain drain to the United Kingdom. Innovative remuneration package, better working conditions, research funding opportunities, and performance-based incentives are critical in areas that are of high demand like healthcare, education, engineering and technology. Moreover, institutionalisation of structured diaspora engagement and return migration programmes are to be made. These will assist in maintaining institutional capacity, increasing productivity, and increasing the human capital base of Nigeria to be sustainable in terms of development.

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