IOSR Journal of Economics and Finance (IOSR-JEF)
e-ISSN: 2321-5933, p-ISSN: 2321-5925.Volume 11, Issue 3 Ser. VII (May – June 2020), PP 21-32
www.iosrjournals.org

Border Closure: Implication on Nigerian Economy

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Abstract: *Nigeria which share boundaries with Benin, Niger and Cameroon closed all of its land borders in order to ensure total control over what comes into the country in October 2019. That was not a first instance action. It happened in 1984, 2003 and the banning of barley import in 1987, by the then Military Authority. The action boosted the government's revenue as more duties were collected on the increased volume of goods that entered the country legally through the ports, but the fall in supply of rice led to food price inflation that impacted strongly negatively on Nigerian consumers. Also the closure was in breach of the protocol on the movement of goods, services and people established by the Economic Community of West African States. The action came just two months after the country signed the African Continental Free Trade Area, which aims to remove barriers to trade and promote the free flow of goods, service and people across the continent. Using Neo-mercantilism theoretical framework model, this paper argue that imposing import barriers such as border closure as Nigeria did during the periods mentioned, tantamount to shooting oneself in the foot. Since consumption is the sole end of production, consumers' interests come before producers' interests, especially those of relatively inefficient producers. Foreign exporters in the region experienced losses as countries within the ECOWAS sub region started rejecting Nigerian goods. The paper is of the opinion that Nigeria should take effective measures to diversify the economy away from overreliance on the oil sector and agriculture, by implementing more market-friendly measures that encourage foreign and local investment into other revenue-generating sectors, such as manufacturing, instead of resorting to border closure that hurts not only the country's economy but that of other African countries, mostly in the ECOWAS.*

Key-words: *Nigeria, Border-closure, ECOWAS, Africa, Neo-mercantilism*

Date of Submission: 02-06-2020 Date of Acceptance: 17-06-2020

I. Introduction

International transactions are made between countries.International trade is generally for the purpose of providing a nation with commodities it lacks or not producing enough quantity of themin exchange for those that it produces in abundance.Such trade, functioning with other economic policies, tend to improve a nation's standard of living. Much of the modern history of international relations concern efforts to promote freer trade between nations. However, no nation leaves its border at the mercy of people of other countries so that they can bring in goods without some measures of control. Thus, countries enact laws or policy measure(s) to regulate trade between their citizens and citizens of other countries.

The theory of international trade and commercial policy therefore is one of the oldest branches of economic thought. Government officials, intellectuals, and economists have pondered the determinants of trade between countries, asked whether trade bring benefits or harms to a nation, and more importantly, tried to determine what trade policy is best for any particular country. There has also been a dual view of international trade – recognition of the benefits of international exchange combined with a concern that certain domestic industries (or labours, or culture) would be harmed by foreign competitions.

Depending upon the weights put on the overall gains from trade or on the losses of those harmed by imports, different conclusions about the desirability of having free trade has been linked to technological progress although some narrow interests may be harmed; the overall benefits to society are substantial. Still, as evidenced by intense debates over trade today, the tensions inherent in this dual view of trade have never been overcome.

Nigeria which shares boundaries with Benin, Niger, and Cameroon closed all of its land borders in order to ensure total control over what comes into the country in October 2019(Olatunji, 2019),though that was not the first instance. The cause of this action in the view of the government was the smuggling of rice and other illicit exports of cheaper, subsidised petrol from Nigeria to its neighbours, as 10 to 20 per cent of Nigerian fuel was smuggled abroad. Statistics show that there is probably very little to worry about since the volume of intra-African trade is low and most of the trade by African countries is done with countries outside the continent.Intra- African trade was about 16.6 per cent of total African exports in 2017 which was low compared to 68.1 per cent with Europeancountries and 59.4 per cent with Asian countries (UNCTAD, 2019) (see Olatunji, 2019)

The countries that share border with Benin include Nigeria with a population of about 209 million, Togo with a population of about 7.8 million and Burkina Faso with a population of about 19 million as about 2017 (World Bank , 2019). Nigeria is several times the size of Benin and even the other countries bordering her, which makes Nigeria the most likely destination for the rice imported by Benin. This however, does not reflect in Nigeria's import figures which provide further credence to the fact that such import was mostly smuggled into the country from Benin.

The closure of Nigeria border thus boosted the government's revenue as more duties were collected on the increased volume of goods that entered the country legally through the ports, but the fall in the supply of rice led to food price inflation, which impacted strongly negatively on Nigerian consumers (Abia, 2019). The closure also led to shortages of materials imported from Nigeria in neighbouring countries hence, the worry about its consequences for trade liberalisation in Africa. This closure was in breach of the protocol on the free movement of goods, services and people, established by the Economic Community of West African States (ECOWAS) to which Nigeria is a member and in which it wields significant political and economic weight. This action also came just two months after the country signed the African Continental Free Trade Area (AfCFTA) (Unah, 2019) which aims to remove barriers to trade and promote the free flow of goods, services and people across the continent. Thus Nigeria border closure was inconsistent with the country's multilateral commitments, including ECOWAS and AfCFTA, and was seen as a major disruption to Nigeria and the entire Africa in terms of their international trade relations.

This paper aims to examine the likely economic implications of border closure to Nigeria as well as postulate policy measures to solve the attendance challenges.

The remaining part of the paper is structured as follows:

II. Overview of Nigerian Economy before 2019 Border-Closure

Thereal Gross Domestic Product (GDP) growth of Nigeria was estimated at 2.3% in 2019, marginally higher than 1.9% in 2018. Growth was mainly in transport, an improved oil sector, and information and communications technology. Agriculture was hurt by sporadic flooding and by conflicts between herdsmen and local farmers. Manufacturing continued to suffer from a lack of financing. Final household consumption was the key driver of growth in 2019, reinforcing its 1.1% contribution to real GDP growth in 2018.The effort to lower inflation to the 6%–9% range faced structural and macroeconomic constraints, including rising food prices and arrears payments, resulting in a rate estimated at 11.3% for 2019(NBS, 2019).

With fiscal revenues below 7% of GDP, increased public spending widened the deficit, financed mainly by borrowing. At the end of June 2019, total public debt was $83.9 billion—14.6% higher than the year before. That debt represented 20.1% of GDP, up from 17.5% in 2018. Domestic public debt amounted to $56.7 billion and external public debt $27.2 billion (CBN, 2019). The share of bilateral debt in total debt was estimated at 12.1% and that of Eurobonds at 40.8%. High debt service payments, estimated at more than half of federally collected revenues, created fiscal risks.The current account surplus sharply declined due to increased imports, lower oil revenues, and a smaller than expected improvement in capital flows.

Poverty was and continues to remain widespread. The poverty rate in over half Nigeria's 36 states during the periodwas above the national average of 69%. High poverty reflects rising unemployment, estimated at 23.1% in 2018, up from 14.2% in 2016. Low skills limit opportunities for employment in the formal economy. Government social programs—N-Power and other youth empowerment schemes were meant to address unemployment issues.

Real GDP growth was projected to rise to 2.9% in 2020 and 3.3% in 2021. It depends on implementation of the Economic Recovery and Growth Plan (2017–20) (NBS, 2019) which emphasizes economic diversification. The central bank of Nigeria's recent decree that banks hold loan–deposit ratios of 60% meant well for increasing lending to the real sector (CBN, 2020). Simultaneously, the retrenchment of government borrowing and easing of the risks of lending to small business could lower interest rates and unlock bank lending to the private sector.An increase in the value-added tax from 5% to 7.5% to shore up domestic nonoil revenues was well intended, though organized labour and businesses have raised concerns of a potential rise in costs. The government also planned to revisit investment tax breaks in the country.

Before the border closure, Oil exports have improved, driving up foreign exchange reserves and creating an impetus for the central bank to intervene in the foreign exchange market. The current account was projected to remain in surplus in 2020, benefiting from improved oil revenues.

Nigeria has many opportunities to transform its economy, particularly in agro processing. Special agro processing zones could promote agro industrial development and employment.But insecurity deterred foreign investors, shrivelled the domestic economy, and ultimately dampened prospects for economic growth. High unemployment created social tensions. Rising public debt and associated funding costs posed fiscal risks as proposed adjustments were not implemented.

Nigeria's oil exports were affected by developments in the Middle East. Trade tensions between the United States and China weakened global growth and lowered demand for Nigeria's products, including oil. Protracted delays in concluding the Brexit deal accentuated investors' aversion to Nigeria, reversing the current upward trend in foreign portfolio flows. Prolonged closure of borders by Nigeria to curb smuggling thus affected trade with other countries in West Africa and raised the prices of imported products, especially basic necessities (rice, flour, and cereal crops). These risks underscored the need to accelerate structural reforms to promote economic diversification and industrialization to minimize vulnerability to external shocks instead of border closure against goods from other African countries to solve the problem.

III. Nigeria's Intra-trade and tariff with other African Countries

Nigeria is one of Africa's largest economies and its leading oil exporter, with the largest natural gas reserves. Other export commodities are cocoa, sesames and rubber as well as many others. The country's economic growth is mainly driven by strong performance in the agricultural, trade, telecommunications, manufacturing and the film industries. Although agriculture continues to employ close to 70% of the labour force, oil remains the key economic sector. Nigeria's main trade partners are Brazil, China, India, Japan, US and the European Union (Awogbaje et al, 2019); not even with other African countries.

The country's long-term economic performance remains broadly positive, driven by rising oil and gas production. One of the future challenges has been to intensify fundamental diversification of the economy, from oil into sectors such as Information Communication Technology (ICT), services, manufacturing and industry, transport, tourism and health. Nigeria is a key economy in the ECOWAS and plays a significant role in the regional Economic Partnership Agreements (EPAS).

Regional trade development remains a priority. Regional integration partnership between Nigeria and other African countries and institutions such as African Development Bank (AfDB) is also evidence of how Nigeria is growing in its African role. Nigeria now competes with South Africa as leading economy in Africa. ITC's current work in Nigeria addresses particular needs in the supply chain of the sesame seeds and sheanut in addition to other better sectors.

Nigeria's Export Potential

Product group code / description	Exports (US$ thousand)	What is the product's export potential in...?						Technology level	Price stability	Prominence of SMEs	Female labour participation
		Sub-Saharan Africa	Unrealized potential	non-OECD	Unrealized potential	OECD	Unrealized potential				
180100 Cocoa beans, whole or broken, raw or roasted	955,367		20%		51%		56%	🔴	🟢		
120740 Sesamum seeds, whether or not broken	334,515		96%		75%		29%	🔴	🔴		
400122 Technically specified natural rubber (TSNR)	1,165,470		42%		23%		17%	🔴	🔴		
41XXXf Hides and skins (in the dry state) and leather of goats or kids, without wo	502,231		98%		44%		26%	🟢	🟢	🟢	🟢
080131 Cashew nuts, in shell, fresh or dried	103,371		100%		72%		26%	🟢	🔴		
0306Xa Frozen shrimps and prawns	146,877		61%		35%		75%	🔴	🟢	🔴	🟢
890190 Cargo vessels nes&oth vessels for the transport of both persons&goods	94,608		4%		57%		85%	🟢	🔴	🔴	🔴
180400 Cocoa butter, fat and oil	126,240		28%		56%		58%	🟢	🟢	🔴	🟢
520100 Cotton, not carded or combed	100,866		97%		59%		83%	🔴	🔴		
6402XX Other footwear, outer soles/uppers of rubber or plastics	73,869		27%		66%		93%	🟢	🟢	🟢	🟢
0910XX Ginger	31,817		71%		80%		75%	🟢	🟢		
41XXXc Raw hides and skins (other than furskins) and leather, of swine and othe	107,697		76%		67%		27%	🔴	🟢	🟢	🟢
130120 Gum arabic	59,618		91%		53%		42%	🟢	🟢		
760120 Aluminium unwrought, alloyed	74,584		87%		61%		84%	🟢	🔴	🔴	🔴
41XXXe Skins (in the dry state) and leather of sheep or lamb, without wool on	72,600		100%		27%		31%	🟢	🟢	🟢	🟢
721041 Flat rolled prod,i/nas,pltd or ctd w zinc,corrugated,>/=600m wide,nes	5,465		88%		89%		98%	🟢	🟢	🔴	🔴
760110 Aluminium unwrought, not alloyed	40,930		13%		60%		56%	🟢	🔴	🔴	🔴
040229 Milk and cream powder sweetened exceeding 1.5% fat	19,190		58%		64%		59%	🟢	🔴	🔴	🟢
4402 Wood charcoal (including shell or nut charcoal)	33,738		93%		91%		58%	🔴	🟢	🔴	🔴
180320 Cocoa paste wholly or partly defatted	21,119		100%		57%		47%	🟢	🔴	🔴	🟢

Notes: Top 20 products listed in decreasing order of their export potential to the world nay, Africa. Development indicators are relative to the country's current situation, green indicating performance above its trade-weighted median and red otherwise. A blank cell indicates that data are not available. A blank cell in export potential means that the product was not consistently demanded over five years by any country in the respective region (Awogbaje et al, 2019). Exports (US$ thousand) correspond to average exports to the world over the period 2009-2013.

In 2018, Nigeria exported and imported goods to and from the rest of Africa to the value of US$7 billion and US$1.3 billion, respectively. Intra-Africa exports accounted for 13% of Nigeria's total exports and imports for 4% of total imports for 2018(NBS, 2019).

Between 2017 and 2018 Nigeria's world exports increased by 30%, while intra-Africa exports increased by 41%. The increase in exports can mainly be attributed to a 50% increase in exports of crude petroleum oils and a 101% increase in exports of floating structures for breaking up. Exports to South Africa increased by 84%, while exports to the Ivory Coast increased by 81%. The analysis is as follows:

- 88% of intra-Africa exports were crude petroleum oils, almost half of which were to South Africa.
- Other export products include floating structures for breaking up (3%), electric energy (2%) and petroleum gas (1%).
- Between 2017 and 2018 world imports increased by 26%, while intra-Africa imports increased by 25% – imports of petroleum oils (not crude) increased by 187%; imports from South Africa and Egypt increased by 24% and 73% respectively
- The main import product was non-crude petroleum oil (18% of intra-Africa imports). Other imports included fertilisers (7%), polymers of propylene in primary form (7%) and fertilisers (5%).
- In terms of Nigeria's total intra-Africa trade (exports + imports) Nigeria mainly trades with South Africa (46% of total intra-Africa trade), Ivory Coast (15%), Togo (12%) and Senegal (7%).

South Africa is Nigeria's main African trading partner (both as destination and source market). Accordingly, Nigeria's trade with countries outside ECOWAS account for 55% and 83% of intra-Africa exports and imports respectively.

- Intra-ECOWAS exports account for 45% of Nigeria's intra-Africa exports and for only 16% of intra-Africa imports.

Apart from South Africa, other African destination markets for Nigeria's exports include Cameroon, Egypt, Namibia and Mozambique. Main African source markets (excluding South Africa) are Morocco, Egypt, eSwatini and Tunis (Ghins and Heinrigs, 2019).

The Nigerian government's decision to close its land borders[1] on 20 August 2019 has raised many questions regarding the legality of the government's action particularly in light of the recently signed Agreement to establish the African Continental Free Trade Area (Af.C.F.T.A). The government, in a press statement released in August 2019, stated that the closure was necessary to allow Nigeria's security forces develop a strategy on how to curtail the incessant smuggling (of prohibited food items, arms and ammunition, and other contraband goods), and its wider ramifications. It noted that in particular, the activities of the rice smugglers have threatened the self-sufficiency already attained under its current administration's agricultural policies.

IV. Theoretical Framework: Neo-mercantilism

The economic theory based on Ricardo's concept of comparative advantage dominates current thinking in the West and formed the intellectual basis for formation of the GATT/WTO. The doctrine of mercantilism, which dominated thinking up to the end of the eighteenth century, is generally rejected by Western economists today. However, a number of countries—including Japan, South Korea, China, and some other countries in the Far East—have pursued a neo-mercantilism model in which they seek to grow through an aggressive expansion of exports, coupled with a very measured reduction of import barriers; this is the line Nigeria toes, closing its border. These countries seek to develop powerful export industries by initially protecting their domestic industry from foreign competition and providing subsidies and other support to stimulate growth, often including currency manipulation.

The success of some countries pursuing a neo-mercantilist strategy does not refute the law of comparative advantage. In fact, the reason these countries are successful is that they focus on industries where they have or can create a comparative advantage. Thus Japan first focused on industries such as steel and autos, and later on electronics, where a policy of import protection and domestic subsidies could enable their domestic firms to compete in world markets, and particularly the U.S. market.

To succeed in a neo-mercantilist strategy, of course, a country needs access to other markets, which the progressive liberalization of trade barriers under the GATT/WTO provided. Neo-mercantilists generally focus on key industries selected by government, a strategy known as *industrial policy*. A successful industrial policy requires a farsighted government. Japan had an extremely competent group of government officials in the

Ministry of Industry and Trade (MITI), which oversaw its industrial policy and was basically immune from political pressures. Although MITI had many successes, it also made some missteps. For example, in their planning to develop a world-class auto industry in the 1950s, MITI officials initially believed they had too many auto companies, and urged Honda to merge with another company. Instead, Honda elected to invest in the United States and went on to become a leading auto producer.

Countries pursuing the neo-mercantilist model have also generally promoted education and high domestic savings to finance their growing export industries. For example, the savings rate in Japan has often been more than 20 percent of GDP, and it approaches 40 percent of China's GDP today. (By contrast, the U.S. savings rate has been only about 2 percent over the past decade and in some years was actually negative.)

Many economists argue that a neo-mercantilist strategy may be successful for a while but that over time such a strategy will not be effective. Basically this argument is that the complexities for governments in picking potential winners and identifying how to promote those industries are too great. For example, Japan was very successful with its neo-mercantilist strategy until the mid-1990s. However, since then the Japanese economy has been stagnating, and many economists believe that Japan will need to change its approach to stimulating domestic demand rather than focusing on export markets. During the past ten years, South Korea and China have also pursued neomercantilist policies, and it remains to be seen if these are effective over the long term.

Additionally, a number of economists argue that government intervention can be effective in promoting a specific sector but that industrial policies are not effective at the macro level of benefiting the economy as a whole. In any case, Western economists and policymakers today almost universally reject the idea that the United States should adopt an industrial policy that picks winners and losers. Opponents of a possible U.S. industrial policy argue that under the U.S. system, such a policy would be subject to political pressures that would ensure failure.

Instead, the real debate among economists and policymakers is whether the United States should respond to foreign neomercantilist practices, and if so, how. Stephen Cohen and his colleagues say:

Free trade advocates argue that imposing import barriers, even if other countries do so, is tantamount to shooting oneself in the foot. The advisability of turning the other cheek to other countries' trade barriers is based on an economic argument traceable to Adam Smith in the eighteenth century: Since consumption is the sole end of production, consumers' interests come before producers' interests, especially those of relatively inefficient producers. Carried to its logical conclusion, this strategy recommends that the U.S. government take no action to offset the de facto subsidies provided to domestic consumers when imports are sold at prices below fair value.

V. The Legality of Nigeria's Border Closure

The legality of the Nigeria border closure has been widely debated. However, an analysis of the basis for the closure of the land borders in light of the Revised Treaty of the Economic Community of West African States, the World Trade Organisation's General Agreement on Tariffs and Trade, and the African Continental Free Trade Area(Af.C.F.T.A) Agreement will clear some doubts as to the legality of the closure.

Economic Community of West African States (ECOWAS)

The Revised Treaty of the ECOWAS, which came into effect on 24 July, 1993[2], governs trade relations among the ECOWAS Member States[3]. The Revised Treaty targets the promotion of trade by providing for co-operation in trade, customs, taxation, statistics, money and payments. In essence, it requires Member States to liberalise trade, as part of the trade liberalisation scheme, by removing tariff and non-tariff barriers in order to establish a free trade area i.e. the Community. Article 3, Paragraph 2(d) of the Revised Treaty, which is geared towards the establishment of a common market, states that:

In order to achieve the aims set out in the paragraph above, and in accordance with the relevant provisions of this Treaty, the Community shall, by stages, ensure;

d) The establishment of a common market through;

i) the liberalisation of trade by the abolition, among Member States, of customs duties levied on imports and exports, and the abolition, among Member States, of non-tariff barriers in order to establish a free trade area at the Community level;

ii) The adoption of a common external tariff and a common trade policy vis-a-vis third countries;

iii) The removal, between Member States, of obstacles to the free movement of persons, goods, services and capital, and to the right of residence and establishment;

Notwithstanding, Article 41 of the Revised Treaty makes allowances for quantitative restrictions on community goods by Member States as its paragraph 3 provides thus:

A Member State may, after having given notice to the Executive Secretary and the other Member States of its intention to do so, introduce or continue to execute restrictions or prohibitions affecting:

(a) The application of security laws and regulations;
(b) The control of arms, ammunition and other war equipment and military items;
(c) The protection of human, animal or plant health or life, or the protection of public morality;
(d) The transfer of gold, silver and precious and semi-precious stones;
(e) The protection of national artistic and cultural property;

Consequently, a Member State can validly introduce restrictions or prohibitions to trade with other Member States provided it is done for reasons or to achieve the results stated in sub-paragraphs (a) to (e). Nevertheless, a Member State cannot rely on the exceptions where its sole intent is to frustrate free movement of goods.[5]

The World Trade Organisation (WTO)

The WTO regulates international trade among nations. Its primary purpose is to open trade for the benefit of all its members[6] and the General Agreement on Trade and Tariffs (GATT) is its umbrella treaty for trade in goods. Article XXI of the GATT (reproduced below) permits its members to impose trade restrictions for protection of its essential security interests.

Security Exceptions

Nothing in this Agreement shall be construed:

(a) to require any contracting party to furnish any information the disclosure of which it considers contrary to its essential security interests; or

(b) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests

i. *relating to fissionable materials or the materials from which they are derived;*
ii. *relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment;*
iii. *taken in time of war or other emergency in international relations; or*

(c) to prevent any contracting party from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security(see Awogbade et al, 2019).

As such, to the extent that the closure was for security purposes, the Nigerian government's action was permitted under the GATT of the WTO.

The African Continental Free Trade Area (AFCFTA)

The African Continental Free Trade Area (AfCFTA)is intended to eliminate trade barriers among members of the African Union. The Agreement to create the AfCFTA is designed to progressively eliminate tariff and non-tariff barriers to trade, and establish co-operation on investment, intellectual property rights and competition regulations among the member countries. Currently, 54 countries have signed the Agreement while only 27 countries have ratified it.[7] According to the African Union, the main objectives of the Agreement is to create a single continental market for goods and services and expand intra-African trade across the Regional Economic Communities (RECs)[8] and Africa in general.[9]

It is however clear that the Agreement's provisions are geared towards the promotion of intra-African trade, elimination of border barriers and the creation of the world's largest free trade area, but not at the expense of the interests of the State Parties. Article 26 of the Protocol on Rules and Procedures on the Settlement of Disputes (annexed to the Agreement) permits its State Parties to take certain restrictive measures to ensure compliance with their own local laws. Article 27 of the same Protocol allows restriction for security reasons:

"Nothing in the Protocol shall be construed to prevent any State Party from taking any action which it considers necessary for the protection of its essential security interests."[10]

Additionally, State Parties can apply preferential safeguards for the protection of their domestic markets. Article 19 of the Protocol on Trade in Goods (annexed to the Agreement) states that:

State Parties may apply safeguard measures to situations where there is a sudden surge of a product imported into a State Party, under conditions which cause or threaten to cause serious injury to domestic producers of like or directly competing products within the territory.[11]

Furthermore, State Parties are allowed to take necessary measures to secure compliance with local laws or regulations which are consistent with the provisions of Article 26 of the Protocol on Trade in Goods.[12] State Parties can take certain measures[13] as it relates to customs enforcement, the protection of intellectual property and the prevention of deceptive practices. However, these measures should not be applied in an arbitrary manner or to inflict unjustifiable discrimination between State Parties.[14]

A State Party which intends to take a restrictive action (such as closing its borders) is required to give a pre-closure notification to the AfCFTA Secretariat. In this regard, Article 17 paragraph 2 under part IV of the AfCFTA provides as follows:

Each State Party shall notify, through the Secretariat, in accordance with this Agreement, the other State Parties of any actual or proposed measure that the State Party considers might materially affect the operation of this Agreement or otherwise substantially affect the other State Party's interests under this Agreement.[15]

However, this requirement is not currently applicable to Nigeria as it is yet to submit its instrument of ratification of the AfCFTA Agreement(see Awogbade et el, 2019)

Reaction of Africa Member countries to Nigeria Border-closure

The Economic Community of West African States (ECOWAS) has started declining Nigerian products possibly in retaliation to the country's border closure.Nigeria has the largest economy on the African continent, and it became the latest African nation to close its borders, following similar actions by Kenya, Rwanda and Sudan around the period of its action.

For some experts, the border closures of Nigeria were a slap in the face for the continent's integration efforts. It is likely to damage the African Continental Free Trade Area Agreement (AFCFTA), which has the potential to be the world's largest free trade zone, even surpassing the World Trade Organization, established in 1995.

Foreign exporters in the region experienced losses as countries within the ECOWAS sub-region startedrejecting Nigerian goods. According to the exporters, the move gradually crippled their businesses. Consequently, Nigerian exports within the ECOWAS region decreased due to retaliation to its border closure by other countries both in the ECOWAS sub region and the continent of Africa at large. Such retaliatory measures definitely impacted negatively on the economy of both countries as the exports done within the ECOWAS region and other neighbouring countries in the continent are now in decrease. These countries that benefited from the open border, because of Nigeria border closure, no longer do so. Nigeria doesn't expect to get the level of cooperation that it was getting before, because it has been hit hard by these closed borders in retaliation to its action (Ogunwusi et al, 2019).

As Nigeria closed its land borders, Ghanaians shut down Nigerian-owned businesses in their country and went as far as closing almost 70 businesses belonging to Nigerians. Ghanaians claim that foreign retailers (referring to Nigerians) violated section 27 of the Ghana Investment Promotion Centre (GIPC) Act 865, which stipulates that "the sale of goods or provision of services in a market, petty trading or hawking or selling of goods in a stall at any place", must be reserved only for Ghanaian citizens. However, many believe that the action by the Ghana Union of Traders' Associations (GUTA) was a response to the decision by the Nigerian government to close its borders.GUTA stated that the closure of Nigeria's trade borders with its neighbours is against the Economic Community of West African States (ECOWAS) treaties(CNBC Africa, 2020).

Prelude to Nigeria land border-closure of 2019

Nigeria's economy declined and shrank by 1.6 percent in 2015 compared to the previous year, according to the IMF. The worldwide drop in crude oil prices in 2014 massively affected the country as crude oil accounts for more than 95 percent of Nigeria's total exports and 90 percent of its foreign exchange earnings. Foreign direct investment inflows to Nigeria decreased significantly by 55 percent. Also Nigeria's currency, the naira, slumped 30 percent against the dollar triggering a shortage of foreign exchange. As the crude oil accounts revealed, it seemed Nigeria neglected other sectors of the economy forcing it to diversify and restructure. Attention to the agriculture sector increased, which had been neglected by Nigeria since the late 1960s.

In 2017, Nigeria's Economic Recovery and Growth Plan revealed the aim of deepening investments and increasing the sector's share in economic growth from 5 percent to 8.4 percent by 2020. The idea came to the fore in order to revive domestic farming and save on food imports which account for over $22 billion a year.As a result, the plan accelerated the border closure process in which the Nigerian government wants to protect domestic farmers from the cheap importation of foodstuff. Nigerian rice farmers were happy about the decision, but there were genuine concerns about whether domestic production can meet with domestic demand.In 2017 the demand for rice in Nigeria reached 6.7 million tons, nearly double the 3.7 million tons produced domestically. Since the border closure, the price of 50 kilograms of rice increased from 9,000 naira ($24) to 22000 naira ($61). So while the move may be welcomed by farmers, consumers will bear the brunt of the cost. (NBS)

Similar actions were taken by the country in 1984 and 2003 when it closed its border with Benin in order to prevent smuggling of goods into the country. Besides, in 1987, the Military government at the time banned importation of barley with the intention to arrest the value of the country's currency, reduce foreign exchange reserve depletion and spur economic growth.

VI. Advantages and Disadvantages of Nigeria Border Closure

There are mixed feelings to the controversial border closure by Nigeria with a move to benefitting the country economically. The country dramatically closed its land frontiers to goods traded with Benin, Cameroon, Chad and Niger, saying its economy needed to be protected from rampant smuggling. The move has met with howls of pain in Benin especially, and cast a shadow over a newly-minted agreement to scrap restrictions on trade among African economies, but the issue is whether it has been beneficial to Nigeria, as the government has sought, which is, no.

Evidence seen by AFP suggests that any benefits are at the macro level — and the country's many poor are likely to be among the losers. The two main commodities being smuggled were petrol and rice. Petrol was being sneaked out from Nigeria, where subsidies make the fuel half as cheap as in its neighbours, and resold. Rice, on the other hand, was being brought into Nigeria, where consumers favour imported Asian-grown varieties over the locally-grown competitor, from Benin via its port in Cotonou.

The most visible winner from the closure is the Nigerian treasury, which has benefited from the falling cost of petrol subsidies and from a rise in customs receipts. Sales of gasoline in Nigeria fell by 12.7% after the border closure, which indicates that millions of subsidised litres are being secretly taken abroad for resale. The reduction in consumption, if sustained, could lead to subsidy savings of around 13.5 billion naira ($37 million) monthly and 162.1 billion naira annually.

As for rice, the country's agriculture lobby is loudly supporting the border closure. Investment in Nigerian agriculture was being hamstrung by the rice trafficking, which is estimated to reach two million tonnes a year. The biggest rice-growing business in Nigeria, owning 13 000 hectares (30 000 acres) of cultivable land of which only 4 500 hectares are being used because the sector is not profitable in the face of competition from Asian rice, but since the border closure, locally-milled rice has started selling, and the entire rice value chain has been positively impacted by the closure.

But if the border closure is a boost for domestic growers, it has led to price increases for consumers. The price of a 50-kilo (110-pound) bag has more than doubled to 20 000 naira, roughly the entire monthly income of a Nigerian living in extreme poverty — of whom there are an estimated 87 million in the country. Traders in Lagos Island, a vast market of Made in China textiles and gadgets, say the closure of the borders had crimped supplies via Benin's Cotonou. Because of the situation, the annual inflation rate has edged up to 11.24 per cent, while inflation ran at 13.51 per cent in September, 2019 (Rasheed, 2020).

Nigeria's industrial sector, which is already struggling with the country's notoriously poor transport system and electricity shortages, is equally affected by the border closure .Trade with neighbours is essential. The intention of stopping smuggling is praiseworthy but the point is that measures have an impact on the sector as the measure affects investors who specialise in the import and export of manufactured goods.

Between 10 and 20% of Nigerian manufactured goods are sold to other countries in West Africa, with many of these items, such as pasta and cosmetics, exported through informal routes, mainly through small sellers who travel around the region. There is need for directinvestments; there is need for industries to create jobs in this country.

Just before the border closure, new measures were introduced by the Central Bank of Nigeria (CBN) amongst which was the prohibition of some imported items for accessing the official foreign exchange market. Whilst this was ongoing the government closed the land borders with her neighbours, all of which are mostly members of the Economic Community of West Africa States (ECOWAS), except Cameroon who is not a member. The border closure has generated public discourse by all, the reason being that Nigeria is a major stakeholder in ECOWAS and also a strategic nation for the success of the African Continental Trade Agreement (Bouilon, 2019).

In the various discourse, it is becoming apparent that Nigeria's land border appears to be the pivot of international trade in West Africa and nay Africa. Furthermore, because of the vastness of her border, pervasive dumping of goods and illegal trade with her neighbours had become a norm, notwithstanding the detrimental effect on Nigerian Economy (see Boulon, 2019).

Nigeria's recent announcement confirming that it is closing its borders to prevent movement of all goods has been met with harsh criticism from neighbours and regional integration advocates. The government has justified the decision as a tactic to curb smuggling of goods of which the country wants to internally increase production, such as rice. The border closure will have particularly negative consequences for trade especially informal ones, along the Benin-Nigeria border, as the two economies are closely intertwining. Indeed, this informal trade generates substantial income and employment in Benin, and Benin's government collects substantial revenues on entrepôt trade—goods imported legally and either legally re-exported to Nigeria, or illegally diverted into Nigeria through smuggling.

The informal sector throughout West Africa, and particularly in Benin, represents approximately 50 percent of GDP (70 percent in Benin, in fact) and 90 percent of employment. Unsurprisingly, informal cross-border trade (ICBT) is pervasive and has a long history given the region's artificial and often porous borders, a long history of regional trade, weak border enforcement, corruption, and, perhaps most importantly, lack of coordination of economic policies among neighbouring countries. Notably, ICBT takes several forms, not all of which are illegal: For example, trade in traditional agricultural products and livestock in bordering countries may involve little or no intent to deceive the authorities, as peasants and herders ignore artificial and un-policed borders (Abia, 2019).

The economic relationship between the two countries, both members of the Economic Community of West African States (ECOWAS), is already asymmetric, with Nigeria exerting much more influence on Benin than vice versa. Given Nigeria's larger population, economy, and natural resource wealth, Benin has adopted a strategy centred on being "entrepôt state," i.e., serving as a trading hub, importing goods and re-exporting them legally but most often illegally to Nigeria, thus profiting from distortions in Nigeria's economy. Benin's dependence on Nigeria is not apparent from official trade statistics, as Benin's reported trade with Nigeria accounted for only about 6 percent of Benin's exports and 2 percent of Benin's imports in 2015-17.These official statistics are very misleading, however, as they do not reflect the vast informal trade along the border.

Nigeria's heavy dependence on oil and many dysfunctional economic policies have created an environment for ICBT between it and its neighbours, mainly Benin and Togo, to flourish. The wide gap between the official and black-market rates of the naira; Nigeria's subsidized fuel prices; import barriers (Table 1); poor trade facilitation (Table 2); and Benin's poor business climate have incentivized local traders to turn to the informal cross-border trade(Anjorin, 2019).

Table 1: Nigeria's import barriers on selected products, import tax rates (%), and import bans, 1995-2018

	1995	2001	2007	2013	2018
Beer	Banned	100	Banned	Banned	Banned
Cloth and apparel	Banned	55	Banned	Banned	45/ Forex ban**
Poultry meat	Banned	75	Banned	Banned	Banned
Rice	100	75	50	100	70***
Sugar	10	40	50	60	70
Cigarettes	90	80	50	50	95
Used cars*	Banned	Banned	Banned	Banned	Banned / 70
Vegetable oil	Banned	40	Banned	Banned	Banned

*The maximum age of cars banned from import has varied over time as more 8 years old in 1995, and 5 years in 2001, back to 8 years in 2007, and 15 years in 2018. In addition, imports are banned via land borders since 2016.**Banned from using the official foreign exchange market. ***Rice imports banned through land borders since 2013.

Sources: *Soulé (2004), Nigerian customs data provided by the World Bank, Nigerian import prohibition list https://www.customs.gov.ng/ProhibitionList/import.php, online reports, World Trade Organization Nigeria Trade Policy Review 2017.*

Table 2: Indicators of trade facilitation, Benin and Nigeria, 2018

	Trading across borders: overall rank (190 countries)	Time to import: border compliance (hours)	Time to import: documentary compliance (hours)
Benin	107	82	59
Nigeria	182	264	144

***Source**: World Bank Doing Business Indicators 2018.*

The people of border communities have thus become notorious for nefarious activities of smugglers with tacit support by local indigenous people at the other side of the border. We, therefore, have a mixed race of people at the border that live, work and act as intermediaries for illegal border trades. CBN and government should, therefore, be applauded for security advantage as well as the internal self-sufficiency implications of these decisions to Nigeria. This is one of the few occasions policy decisions were made exclusive for the self-interest of Nigeria and Nigerian alone. The border closure should be considered as a modified open economy policy.

Ordinarily, in an open economy policy thrust, market forces are allowed to determine production and trade levels. Also, goods and services move in and out without any hindrances and the economy has a relationship with other countries of the world.

In West Africa, regional trades and movement of people are mostly conducted by road transportation, including human migration. The human migration becomes much easier because of the ECOWAS treaty which allows citizen of member states unlimited access to any country within the region in a 90-day residency period. In a closed economy however, no activity is conducted with outside economies.

VII. Conclusion and Recommendation

A closed economy is self-sufficient, meaning that no imports are brought in and no exports are sent out. Therefore, the border closure policy stance of Nigeria was a quasi-open economy since goods and services were allowed to be imported by air and sea. What is of importance is to evaluate the impact of the policies on average Nigerian on the street.

Regarding the import prohibition list, CBN should provide the micro sectoral impact of the policy not necessarily on reduction in foreign exchange utilization, but on specific industries and or companies affected by the policy. This will guide in a holistic evaluation of whether it has achieved the purpose intended. It may not be surprising that those items in the prohibition list were the ones being dumped in Nigeria through the land borders.

Furthermore, CBN can implement a total ban on foreign exchange allocation to non-capital goods. If such a policy is implemented, it will force the existing industry to source raw material within our domestic economy. Although such decision will come with temporal pain to the public but it will eventually result in internal self-sufficiency. It is opinion of this paper that government should sustain the quasi-open economic policy for a reasonable medium term to enable the country to evaluate appropriately the real impact on the domestic economy especially the agriculture and manufacturing sectors.

Some policy makers argued that the land border should be closed until 2023 when the current government must have left office. They premised their argument on the ground that China closed her economy in the 15th century AD during the reign of the Ming dynasty, which gave her the advantage of developing domestic capacity. America, North Korean, Macedonia, and Hungary have also closed their borders in the past for various economic and political reasons. Nigeria can learn from the Chinese and other countries' experiences.

They opined that to continue to give teeth to the policy, it is imperative for the government to engage in continuous manpower swapping. The officers involved in the enforcement of the policy should be rotated on a quarterly basis. General believed is that the officers at the border posts are enmeshed in corruption and connivance with economic saboteurs and jobbers. This insinuation is never supported by facts or evidence. It is mainly a public bias against the customs officers serving their fatherland. Of course, there might be bad eggs like in any other organization; government decision should not be based on biasedness. For this reason, the adoption of rotational swapping of officers will assist. This should also be extended to CBN, ministry of finance and all agencies involved in border monitoring.

Another area that should be evaluated is the impact of the policy on exports and export earnings. CBN should provide statistics of exports going through the land borders vis-à-vis the foreign exchange earnings. It may also be likely that the land border is a source of leakage of revenue to the government if export documentation procedure is weak at the border. Most of the export earnings by land may ultimately not be repatriated to Nigeria, given room for reverse dumping which is detrimental to earning capacity. The Manufacturers Association of Nigeria and other self-regulated associations should provide supportive information to the government on the impact of the policy on their members if any. This should be an opportunity for the government to develop and revise the process of export data through the land borders.

The Nigeria-Benin-Niger and Cameroon border closure in August 2019 was unexpected and made without any formal communication with government officials ofthese neighbouringcountries. The aim was to stop all movements of goods, except oil, from import to export.The closure was part of Nigeria’s economic strategy to tackle the smuggling of goods across the border, to increase local production and protect local producers, as outlined in its 2017-2020 Economic and Recovery Growth Plan. Smuggling activities across the Nigerian-Benin border account for about 110 billion naira ($303,614,300 United States dollars) in trade revenue loss every year(Liedong, 2019).

However, smuggling is nothing new along these borders, with historical roots from British and French colonial authorities, when colonial rivals implemented trade policies to protect local industries from external competition, which exacerbated illicit trade activities across the border.Activating a prolonged trade restriction to solve the recurring issue of smuggling will have a negative economic effect on Nigeria and puts a damper on Africa's much-anticipated intra-regional trade investment agreement, the African Continental Free Trade Area, known as AfCFTA, slated to begin in July 2020.

AfCFTA — projected to add a combined gross domestic product (GDP) of more than $3.4 trillion USD to Africa's economy — focuses on creating a single continental market for goods and services, with free movement of business, persons and investments, and thus pave the way for accelerating the establishment of the Continental Customs Union and the African Customs Union. It also intends to expand intra-African trade through better harmonization and coordination of trade liberalization and facilitation.

The border closure has spiked food prices, causing inflation to increase to 11.24 percent, the highest level since June 2019, and it is expected to rise even higher if continued.Presently, Nigeria produces about 6.9 million metrics tons of rice annually, but the country has to import rice worth $4 billion USD to meet the rising consumer demand.

At the beginning of this government, one of its major goals was to improve the growth of the agricultural sector to decrease dependency on the oil sector, enacting a policy to restrict the Nigerian Central Bank from distributing funds to facilitate the importation of food, especially rice.Additionally, the border closure was expected to further decrease Nigeria's ability to attract foreign direct investment. The World Bank ranked Nigeria as one of the worst countries in the world when it comes to ease of trading across borders, ranking 182 out of 190 countries.

As expected, Benin was heavily hit by the closure because of its informal trade dependence on Nigeria, which accounted for 70 percent of Benin's GDP. However, it is important to note that apart from the formal importation of petroleum from Nigeria, Benin also imports poultry, rice and vegetable oil accounting for about $100 million USD in revenue to Nigeria's GDP.Nigeria stands to lose this significant source of revenue should it continue to close its borders to Benin and other African countries.

Most African countries are impatient with the border closure, due to the negative economic consequences on their economies, which could result in potential political tensions among them. Nigeria could stand to lose about $300 million USD in export revenue from these countries. For instance, if Ghana retaliates by imposing similar trade restrictions on Nigeria. Ghana depends on the Abidjan-Lagos Highway for overland access to markets in West Africa, which was closed due to the Nigerian-Benin border closure.The Ghana Union Traders Association (GUTA) petitioned to the government of Ghana to also close its trade borders in retaliation to what they call, "unfair treatment" from Nigeria.

Nigeria is a key regional player in the economic growth of West Africa and facilitates the growth of informal trade across the region. The border closure affected the informal sector which represents about 50 percent of West Africa's combined GDP.

Nigeria during the period of border closure announced a list of strict conditions that all ECOWAS members must meet in order to be accepted as Nigeria's trade partners. This was vexing to other African countries.

The border closure and the list of strict conditions sent a negative signal to the world and other African governments about Africa's commitment to boost intra-African trade activities by at least 53 percent through AfCFTA. The treaties intend to facilitate smooth intra-regional trade to ensure regional growth, but Nigeria's trade restrictions if not halted, constitute a stumbling block to achieve it

Indeed, Nigeria's policy of food import substitution, a form of industrial policy, is often at odds with the idea of regional integration…The AfCFTA will only succeed if member countries make the regional strategy part of their national policy and proactively address the tensions that arise between the two. Countries should find the sweet spot that reinforces national economic goals and ensures maximum gains from increased integration, looking beyond a static assessment of their priorities.

This paper thus advises that the country be guided as follows:

Nigeria's border closure strategy is not new. Nigeria closed its border with Benin in 1984 and 2003 for the same reason – to curb smuggling — but never succeeded.

In 1987, Nigeria's military government banned barley, an essential product for beer production. The aim, like that of the 2019 that targeted rice ban, was to arrest the value of the country's currency, reduce foreign exchange reserve depletion and ignite economic growth.

However, the barley ban did the exact opposite. David Hundeyin of the African Report asserts that it destroyed Nigeria's "local beer industry" resulting in the sacking of "thousands of Nigerians" workers and "delivered almost 90 percent of the local beer market" to foreign-dominated beer makers.

To solve the recurring smuggling menace across borders, Nigeria needs to create a national or regional institutional framework that can monitor and ensure compliance with respect to verification, certification, and monitoring of the rules or agreements either in ECOWAS or the AfCFTA and fix its dysfunctional economic policies.

As many economists have proposed, Nigeria should take effective measures to diversify the economy away from overreliance on the oil sector and agriculture, by implementing more market-friendly measures that encourage foreign and local investments into other revenue-generating sectors. This will be a better option of reinvigorating the economy than closing border against ECOWAS countries and other countries of African continent.

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[1]. With the Republic of Benin in the west, Chad and Cameroon in the east, and Niger republic in the north.
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[4]. Articles 33 to 53 of the ECOWAS Revised Treaty
[5]. Article 41, paragraph 5 of the Revised ECOWAS Treaty
[6]. Nigeria, Benin, Chad,Cameroon, and Niger are members of the World Trade Organisation (WTO), see https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm#collapseN

[7]. These 27 countries have deposited their instrument of ratification as required under the Agreement. Nigeria, Benin and Cameroon have signed the AfCFTA but are yet to deposit their instrument of ratification.
[8]. There are 8 RECs in Africa, i.e. the Arab Maghreb Union (AMU/UMA); ECOWAS; the East African Community (EAC); Intergovernmental Authority on Development (IGAD); the Southern African Development Community (SADC); the Common Market for Eastern and Southern Africa (COMESA); the Economic Community of Central African States (ECCAS), and the Community of Sahel-Saharan States (CENSAD).
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