



**BORDER
CLOSURE:
*CHRISTMAS RICE
OR SPAGHETTI?***

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Border Closure: Christmas Rice or Spaghetti?

There has been much ado about the Nigerian government's decision to close the country's borders, with many Nigerians expressing concerns about the implications for prices of food, household items and the economy in general.

Interestingly, this is not the first time it's been done in Nigeria. Following the coup d'état that toppled former president Shehu Shagari on December 31st 1983, Nigeria's new military leaders ordered the closure of the country's borders with Niger republic. The purpose was to prevent possible indictable politicians from fleeing the country.

Although Nigerian land borders were reopened January 23rd 1984, Major-General Buhari ordered them closed again on April 24th that same year, in conjunction with plans to change the Nation's currency. After the new naira note conversion, however, the borders remained closed in a bid to reduce smuggling of petroleum and food products.

In May 1985, Buhari ordered a mass expulsion of between 700,000 and 2,000,000 aliens from Nigeria (six years later, the Nigerian government would publicise its intention to establish a frontier force to combat "illegal immigration"³. This decision speaks about what we believe the government aims to do again this December with Operation "Positive Identification" (A military operation that we believe should be handled by immigration). Until its reopening in 1986, the Niger-Nigeria border was officially closed for 22 months.

It was all shock and disbelief for traders on the 20th August 2019, who met the temporary closure of Nigeria's land borders. Exactly three months after, Pres. Muhammadu Buhari approved the extension of the border closure till January 2020. The question is, *is the Federal Government making the right call? Where exactly does this leave Nigerians? **Is this a case of suffering and smiling?** Here are the facts.*

Smuggling has been a major challenge faced by Nigeria, a report by the Senate Committee on Customs, Excise and Tariff in 2017, had disclosed that over N7trillion worth of goods were smuggled into Nigeria annually. This poses a threat to Nigeria's self-sufficiency particularly in rice production; despite banning the importation of rice through land borders in 2016 and the introduction of the 41 items ineligible for foreign exchange by CBN. However, beyond rice, other items being smuggled into Nigeria range from perishables such as tomatoes, frozen food, to other items such as used cars and pre-owned clothing. While subsidized petrol

estimated at over 10million litres is smuggled out of Nigeria for sale to neighbouring countries.

Suffering

The border closure has had a huge impact on the country; as expected, the price of imported rice has shot up and most people have been forced to switch to locally produced rice. *Should this be considered a win?* On social media, pictures and videos have surfaced online showing the extent of this closure, from pictures of baskets of tomatoes rotting in the Benin Republic to videos of women caught at the border trying to smuggle rice in through their body. It is the only testament to the fact that the means of survival for people has been brought to an abrupt halt both for Nigerians and her neighbours who trade through the border.

In the initial month of the closure - August, inflation still took a downward turn to 11.02% with the actual effect of the border closure coming to play in September, resulting in a spike to 11.24%, this week those numbers rose to 11.6%, the highest in 17 months.

Food inflation quickened to 14.1% from 13.5% in September, A bag of imported rice which had initially cost between N15,000 - N17,000 now costs over N22,000; locally produced rice on the other hand now sells for as high as N17,000. Since Christmas is only a few weeks away, this poses a problem, as prices are expected to further rise, during the festivities. *Does this also mean that the usual "Christmas rice" may not be feasible this year? The instinct of people when expecting a price hike, is to buy and hoard the items before they get "more expensive", but this only results in creating a fake scarcity for the commodities, as is the usual case with fuel, is this anticipated? However, recent data by Proshare⁴ indicates that people have found a suitable alternative to rice, as spaghetti is becoming an acceptable substitute considering the increasing costs of rice.*

Additionally, Nigerian manufacturers have been unable to export their products such as leather, cocoa etc. to the West African markets via the land borders. According to the Vanguard⁵, Nigerian cargoes are being rejected by the ECOWAS States in retaliation to the border closure by Nigeria.

Smiling

"What we have discovered is that most of those cargoes that are shipped to Benin, then discharged and smuggled into Nigeria, are forced to bring their goods to either Apapa or Tincan

Island and duties are collected on them". These were the words of Hammed Ali, the Comptroller General of the Nigerian Customs Service (NCS), explaining how the border closure had led to increased revenue of the Customs. Reports show that average customs daily revenue increased from N4.7 to N5.8bn, and even reached a record high of N9.2bn.

Delving deeper, a report by Cardinal Stone in October 2019², indicated that Nigeria had to its detriment, been inadvertently subsidizing fuel cost to other West African counties for over twelve years. Also, sales of petrol in Nigeria fell by 12.7% since border closure, reiterating the possibility that subsidized litres had been previously smuggled out for sale through the borders. The report further stated that the reduction in consumption if sustained will lead to N13.5bn and N162bn in monthly and annual savings for the Nigerian Government. Consequently, the Customs Service banned the supply of petrol to filling stations located 20km to the borders to tackle this illegal exportation of fuel. *In a bid to win, have we also ended up sabotaging our own, as this has caused a hike in price and fuel scarcity for residents in these border communities?*

Arguably, the strongest win would be the production and demand for local agricultural produce which was the main motive for closing the border. Local farmers have continuously expressed their joy over the closure of the border, as it has created a good opportunity to sell their products without competition from smuggled international substitutes. *However, the only fear would be the quantity produced locally might be insufficient to meet the demand of over 190m Nigerians, but then, it gives us a chance to grow and further diversify the economy.*

Similarly, as more people increasingly venture into agriculture, more employment opportunities are created in the agricultural value chain, besides the farmers, processors, distributors, retailers and merchants, research and development personnel, maintenance personnel for machinery etc. are more in demand.

Beyond Nigeria

It is easy to forget the effect of the border closure on Benin Republic, Niger, Togo, and other neighbouring countries. The Benin Republic, Nigeria's neighbour on the West, is most affected as World Bank estimates that 80% of its imports are destined for Nigeria and 20% of its GDP and national income is accounted for by the transit trade with Nigeria. The Niger Republic, located North of Nigeria, has responded to the border closure by banning the exportation of rice to Nigeria. Ghana has also not been spared from the impact, as about 100

trucks belonging to Ghanaian traders have been locked up in Nigeria for months and the Ghanaian delegation sent to Nigeria, agreed to create a temporary corridor on Nigeria's Western border with Benin, where Ghanaian goods in transit, could pass but as at the time of this write-up, the agreement is yet to produce any real results.

The border closure comes barely a month after Nigeria signed the African Continental Free Trade Agreement (AfCFTA) expected to create the world's largest free trade area and lead to a 60% boost in intra-African trade. *Does the border closure signal that Nigeria is not ready for the AfCFTA?* As the goal of the AfCFTA is to create a continental market with free movement of persons, capital, goods and services.

Also, deliberations have been ongoing regarding the adoption of a single currency for West Africa "Eco". Beyond managing exchange rate crisis and ensuring macroeconomic stability, another strong reason for the "Eco" is to promote intra-African trade. However, the border closure casts doubt to the success of this Eco initiative scheduled for 2020.

Looking at the situation through the lens of the Economic Community of West African States (ECOWAS), it appears this unilateral border closure contravenes the ECOWAS Protocol AP 1/1/03 under the ECOWAS Trade Liberalisation Scheme which seeks to foster community citizenship, establish a common market and liberalize trade. The ECOWAS through its Speaker of Parliament, Cisse Lo released a statement in September 2019, urging the Nigerian government to comply with the community's provisions by opening the borders and finding a lasting solution to smuggling, as the border closure is a hindrance to the achievement of the community's objective to achieve a prosperous, borderless and peaceful West African region. However, the border has remained closed since the call to action by ECOWAS and the African Union (AU) has remained mute on the happenings.

On the international scene, the International Monetary Fund (IMF) through Abebe Selassie, its Director of African Department, expressed understanding of the border closure as an action solely to stop illegal trade and is hopeful that discussions among the countries would resolve these challenges posed by illegal trade and smuggling; as sustained border closure impacts the economies of Benin and Niger.

All these, have caused the international community to query the commitment of not just Nigeria, but other African states to the success of the AfCFTA, scheduled for July 2020, would African states honour these trade agreements, and in cases where some effects are not

necessarily favourable, would they be open to dialogue for resolution or make unilateral decisions?

Looking Ahead

A Tripartite Anti-Smuggling committee comprising Nigeria, Benin and the Niger Republic met on Thursday, 14th November in Abuja and established a Joint Border Patrol team. This team is expected to meet in Abuja from November 25-27, 2019 to agree on the modalities of its operations and recommend a date for the opening of the borders. Other agreements reached at the Tripartite Anti-Smuggling committee meeting include: (i) setting up of a trade facilitation committee comprising ministers of finance and trade of the three countries to promote intra-regional trade; (ii) prepare bilateral agreements to combat smuggling along common borders; (iii) entry or exit from these states would be through recognized controlled points using valid ECOWAS recognized travel documents; and (iv) a monitoring and evaluation committee will ensure full implementation of the adopted mandate of the Joint Anti-smuggling Human Trafficking Committee.

Prior to this meeting, Nigeria had stated the conditions to re-open her borders as follows: neighbouring countries respecting ECOWAS rules of origin, imported goods having 30% local input, goods maintaining their original form (no repackaging) and being escorted directly from the port of member states to the Nigerian border. For humans, the official passport would be the only recognized document at entry points i.e. no other form of identity cards would be accepted.

Beyond these, the border closure situation emphasizes certain lessons for all, the companies, the government and most importantly, the country, Nigeria.

For companies, it is apparent that the government is gradually making efforts to promote and protect local production and businesses evident in the current border closure and other efforts such as the set-up of the Presidential Enabling Business Environment Council (PEBEC) by President Buhari etc. Recently, Nigeria rose 15 places, now ranked 131st on the World Bank's 2020 Ease of Doing Business Index. Hence, companies are best positioned to grow and take advantage of these opportunities to provide quality products and food items for Nigerians. Certain companies have begun to take advantage of these opportunities such as Tiamin Rice Mill Ltd which injected \$13.4m to boost its production capacity and others such as Olam Nigeria, Kereskuk Rice Farm etc. that now have a sustained market. Besides rice,

poultry, maize, yam and other agricultural products generally, have also witnessed a boost in demand. There are opportunities to forward integrate with manufacturers to supply these products as raw materials for production.

For the government, it is necessary to seek lasting and better ways to deal with smuggling, beyond border closure. Smuggling is not unique to Nigeria or Africa, and other advanced countries have been able to leverage technology to combat smuggling and illegal migration. The scanner worth N8.1bn donated by the European Union (EU) to ECOWAS in June 2018, though yet to be fully utilized, is evidence of the use of technology to combat smuggling and control borders in other parts of the world. It is also important to have people of good ethical conduct and integrity man the borders to curb instances of bribery to allow smuggling. Furthermore, the focus for the government should be to create an enabling operating environment with necessary amenities such as electricity, good roads etc. hence, reducing the cost of production for local entrepreneurs. Nigerians are quick to accept cheap smuggled substitutes in comparison to locally produced goods which cost higher, due to high cost of production.

In conclusion, the overarching lesson and call to action for Nigeria and Nigerians is the need to support her own, the importance of local sourcing cannot be overemphasized. Several locally made products of international standards currently exist, however, our preference for imported/foreign goods has created a thriving market for these smuggled goods, killing the market for our Nigerian products. It is time to arise o compatriots, and “**buy Naija to grow Naija**”.

Contributors

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