Impact of Border Close on Revenue Generation in Nigeria

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Abstract

This study seeks to extensively examine the impact of border closure on revenue generation in Nigeria, though research on this subject matter in previous times is not very extensive, it is a matter of national importance, the study covers emerging issues and its impact on revenue generation, data and relevant information used in the study was mainly sourced online. Amongst major recommendations made after the findings to this research include but not limited to: Machinery should be set to draft- laws with expediency for possibly legislation. The federal and state government should ensure that machinery be in place to generate more revenue internally to enable them do more development project. Most of the states and local government authorise should not only depend of the federal allocation. Training and re-training for the revenuer officials should be organised to enable them meet there challenges of the new millennium. Communication gadget, vehicle and motor cycles should be provided for revenue personnel. Nigeria's economy declined in 2015 and further contracted by 1.6% in 2016. This was largely due to a worldwide drop in the price of crude oil in 2014. The country has since fallen on hard times. Foreign direct investment inflows have plunged by 55% . There have also been shortages of foreign exchange which have put the Naira in a tailspin, causing the government to implement stringent foreign exchange controls. The close of border is to encouraged made in Nigeria products and services and also inch rice the rate of productivity in the country Nigeria. Before for now the rate of money could not be able to speculate but now an average Nigeria farmer can generate to suit his or her bills.

Keywords: Revenue, Export, Government, Economy

1. INTRODUCTION

Exporting and Importing helps grow national economies and expands the global market. Every country is endowed with certain advantages in resources and skills. For example, some countries are rich in natural resources, such as fossil fuels, timber, fertile soil or precious metals and minerals, while other countries have shortages of many of these resources. Additionally, some countries have highly developed infrastructures, educational systems and capital markets that permit them to engage in complex manufacturing and technological innovations, while many countries do not. Imports are important for businesses and individual consumers. Countries like Ellen's often need to import goods that are either not readily available domestically or are available cheaper overseas. Individual consumers also benefit from the locally produced products with imported components as well as other products that are imported into the country. Oftentimes, imported products provide a better price or more choices to consumers, which help increase their standard of living. Countries want to be net exporters rather than net importers. Importing is not necessarily a bad thing because it gives us access to important resources and products not otherwise available or at a cheaper cost. However, just like eating too much candy, it can have bad consequences. If you import more than you export, more money is leaving the country than is coming in through export sales.

On the other hand, the more a country exports, the more domestic economic activity is occurring. More exports mean more production, jobs and revenue. If a country is a net exporter, its gross domestic product increases, which is the total value of the finished goods and services it produces in a given period of time. In other words, net exports increase the wealth of a country. International trade has resulted in creating 'dual economies' in underdeveloped countries as a result of which the export sector became an island of development while the rest of the economy remained backward. Using the case study of Nigeria border closed, while Nigeria's borders reflect late-nineteenth century agreements among the British, French, and Germans, Most African borders were similarly created by European colonial powers. The point being, the borders rarely reflect indigenous history or culture. In the case of Nigeria, while there are formal border crossings with customs service's along the main roads, there are literally hundreds of others along footpaths and minor roads that are unregulated. The practical consequences of closing the land borders is likely to vary from one part of the country to another, based on government capacity to enforce closures.

2. LITERATURE REVIEW

2.1 Conceptual Framework

Exports are the goods and services produced in one country and purchased by residents of another country. It doesn't matter what the goods or service is. It doesn't matter how it is sent. It can be shipped, sent by email, or carried in personal luggage on a plane. If it is produced domestically and sold to someone in a foreign country, it is an export. 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 could deter foreign investors, shrivel the domestic economy, and ultimately dampen prospects for economic growth. High unemployment could create social tensions. Rising public debt and associated funding costs could pose fiscal risks if proposed adjustments are not implemented.

2.2 Empirical Clarification

Nigeria's oil exports could be affected by developments in the Middle East. Trade tensions between the United States and China could weaken global growth and lower demand for Nigeria's products, including oil. Protracted delays in concluding the Brexit deal could accentuate investors' aversion to emerging markets, including Nigeria, reversing the current upward trend in foreign portfolio flows. Prolonged closure of borders by Nigeria to curb smuggling may affect trade with other countries in West Africa and raise the prices of imported products, especially rice. These risks underscore the need to accelerate structural reforms to promote economic diversification and industrialization to minimize vulnerability to external shocks. Nigeria's economy declined in 2015 and further contracted by 1.6% in 2016. This was largely due to a worldwide drop in the price of crude oil in 2014. The country has since fallen on hard times. Foreign direct investment inflows have plunged by 55% . There have also been shortages of foreign exchange which have put the Naira in a tailspin, causing the government to implement stringent foreign exchange controls.

Crude oil accounts for over 95% of Nigeria's total exports and 90% of its foreign exchange earnings. This shows that Nigeria has neglected other sectors of the economy. The recent oil crisis highlighted the need for the country to diversify and restructure its economy. The result was increased attention being accorded the agriculture sector, which had declined significantly since the late 1960s. Investments in agriculture and increase the sector's contribution to economic growth from 5% in 2017 to 8.4% by 2020. The idea is to revive domestic farming and save on food imports (over $22 billion a year). Nigeria has the largest economy on the African continent, and it became the latest African nation to close its borders, following similar action by Kenya, Rwanda and Sudan in recent months. In this report, Bamidele, Ikechi and Andrew (2019), took a look at the closure of Nigerian borders and its impact on the economy of Nigeria and her neighbours.

2.3 Theoretical Discussion

2.3.1 Theory of Trade Treaties and Agreement

No nation leaves its border at the mercy of people of other countries so that they can bring in goods without some measure of control. All countries also enact laws to regulate trade between her citizen and citizens of other countries. This is why trade treaties and agreement are signed among countries. Border closure on the African continent is nothing unusual. Earlier this year, Sudan closed its border with Libya and Central African Republic, and Kenya suspended cross border trade with Somalia both for security reasons. Rwanda briefly closed the border with the democratic Republic of Congo in response to Ebola outbreaks. However, Nigeria border closure differs from these earlier incidents, as it has been adopted to respond to trade- related concerns. Other cases of border closure has occurred at different time forestall loss of revenue, in the case of united states of America where the border was closed with Mexico tendencies for drug abuse necessitated the decision.

Even though the whole nation grapples in the pain of loss of revenue, majority of people affected by the Nigeria border closure is the informal sector who trade between Benin republic and Nigeria but the activities of smugglers basically affects revenue generation, so it is agreed that until this is clearly resolved the border closure is in order. This is because in the long run, Nigeria is expected be good for it.

METHODOLOGY

The research design for this study is exploratory in nature and by means of an explanatory research; this study examined the impact of border closure on revenue generation, using the Nigerian experience as a focal point. 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.

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:

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.

Exports are one component of international trade. The other component is imports. They are the goods and services bought by a country's residents that are produced in a foreign country. Combined, they make up a country's trade balance. When the country exports more than it imports, it has a trade surplus. When it imports more than it exports, it has a trade deficit.

As an example, the United States imported $1.68 trillion in goods between January and August 2018. During that same period, it exported $1.12 trillion in goods. This created a deficit of $565.6 billion. You can see a monthly breakdown from January to August 2018. The foreign trade has also not been entirely beneficial to poor countries because of the adverse effects of foreign investments on their economy. It has been maintained that the inflow of foreign capital and developed a country's natural resources only for export purposes, to the neglect of production in the domestic sector.

4. RESULT AND DISCUSSION

While Nigeria's borders reflect late-nineteenth century agreements among the British, French, and Germans, most African borders were similarly created by European colonial powers. The point being, the borders rarely reflect indigenous history or culture. In the case of Nigeria, while there are formal border crossings with customs service's along the main roads, there are literally hundreds of others along footpaths and minor roads that are unregulated. The practical consequences of closing the land borders is likely to vary from one part of the country to another, based on government capacity to enforce closures. So, what have been the positive benefits of the Nigerian border closure? Below are some of the exploratory analyses:

Increased Internally Generated Revenue

This is a huge fact because Nigeria has imposed customs duties which can be readily imposed more easily at sea ports than at land border. This is a major breakthrough as duties paid by importers are drafted to the IGR. This move is huge because over the years, prior to the border closure there has been no full regulation on duties paid for import. Now, with this strategic yet painful framework deployed by the President there will be accountability from the Nigeria Customs Department in contributing fully their own quota to the Single Treasury, which will best max the IGR for the GDP. To be honest, this move comes with a heavy steep price. This is obvious because many importers will have no other option to send in their goods and they'll be forced to comply with the directive. It will affect the importers too who do not have enough funding for the duty payment effectively. But to be frank, the increased internal generated revenue will boost due to this.

Increased Consumption of Local Products

Nigerians love the consumption of foreign products. It's in the blood really. However, to this effect of the Nigerian border closure, there has been a surge in the consumption of local goods. Take example, the locally made Rice Nigerians rejected is now the most consumed commodity. As the cost of foreign products increase there comes the reality of Nigerians to use the available when the preferred is not available. According to locally rice farmers, it has been noted that they sell off their products easily these days compared to other times. It's essential to note that the border closure was a move by President Buhari not to only tackle smuggling and associated corruption, but also to spur the domestic agricultural industry.

In effect, the move has been strategic and painful to numerous Nigerians, but the reality comes in that numerous nations are taking moves to increase their IGR for the benefit of their GDP. Countries like U.S.A are deploying this medium to tackle foreign nations like China from taking over their trading. It's strategic and hits hard on the average citizens, but then there must be a future for a country to grow independently.

5. CONCLUSION AND RECOMMENDATION

This research on the impact of border close on revenue generation in Nigeria is open with introduction followed by statement of problem, purpose and significant of study and some relevant terms as used in the study. The impact of revenue to the overall development of Nigeria can be over emphasized. The study indicated the relationship between revenue and developmental effort of the country Nigeria it also shows that government and still generate revenue from Nigerians. The study has examined Nigeria tax mobilization and utilization in Nigeria economy there also generates internal revenue through taxes fees, etc. it also opined that the expenditure assignment should also march with revenue generating powers in order for the country to discharge there functions effectively. In essence revenue generation must support but public and private enterprise in Nigeria. This can be effectively carried out through community participation in their various activities. Need to carry people along in the execution of the projects would encourage administrative openness and accountability. The federal and states government as tiers of government constituted by law has certain obligation to offer to the people at the grass root level. In order to fulfil such obligation the 1999 constitution has made available source of revenue to feral, state and local Governments still suffer much problem of revenue collection, hence; the following are therefore recommended from the study:

i. Machinery should be set to draft- laws with expediency for possibly legislation.
ii. The federal and state government should ensure that machinery be in place to generate more revenue internally to enable them do more development project.
iii. Most of the states and local government authorise should not only depend of the federal allocation.
iv. Training and re-training for the revenuer officials should be organised to enable them meet there challenges of the new millennium.
v. Communication gadget, vehicle and motor cycles should be provided for revenue personnel.

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