The Political Economy of Border Markets in North-west Nigeria

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Abstract

Border markets play important role in the economy of Nigeria. They are central places for both producers and consumers at the local scale. They provide business opportunities to small traders who exploit border differentials between twin cities/towns. As market places, border markets are intimately linked to the trade flows in raw materials, commodities and services that connect the globalized world. They serve as places of convergence for the transnational movements of goods and people. The sudden boom of border markets in Nigeria is attributed to economic and social changes in the country. The economic crises which the country faced since 1980s as well as the concomitant political and economic policies put in place to deal with them have undoubtedly accelerated the importation of goods across country's international borders. Most of these border markets attract large concentration of trading communities and they are located in those regions where the trade has pre-colonial roots. The paper has tried to show that border markets are very important to national economy. Although they are geographically peripheral, border markets are economically pivotal and their development should be of great concern to policy makers in Nigeria.

Key Words: Border Markets, North-West, Nigeria, Niger, cross-border trade.

Introduction

Over the past four decades, economic changes in West Africa and Nigeria in particular have significantly intensified the role of border markets as conduits for both legal and illegal cross-border trade. The potentialities of border markets has over the years drew the attention of many international institutions (such as World Bank, Sahel and West African Club and African Union) which underscored the potential benefit of a development based on functional economic areas rather than on Nation-states. The growth of border markets was as a result of artificial boundaries created by colonialist and this in turn created consciousness for cross-border trade as potential instrument for economic integration and development in West Africa (Oculli 2009). In fact, large volume of literature that deals with the growth of border markets vis-à-vis cross-border trade between Nigeria and her neighbors emphasized on the impact of boundary on the economic activities of border population. There appears however contradiction in states' policies in Africa which attempt inviolable boundaries compelling need for economic interaction across the border for the economic development. Very few policy makers in Africa consider border markets as avenue for economic development that can be used to devise ways for the management of share transborder resources at the local levels. Paradoxically, neighboring states in Africa more often than not capitalize on the trade differentials along the border to restrict economic interaction rather than promoting it.

Generally speaking, most Border markets in Nigeria are characterized by two attributes; they are characterized by the split of the same culture areas (Miles 2014:65) and as a result they serve as important hubs for cross-border trade. (Yoroms 2007:196-7). In Hausaland as in many other areas in West Africa, partition disrupted the Pre-colonial trading patterns and institutionalized certain policies that changed the direction of the trade routes. Miles (2014) pointed out that, Anglo-French carving of colonial space in Hausaland is a significant geographical legacy that continues to generate scholarly debates. In fact, the partition not only affected the social and political settings of the people but also impacted on the psychology, culture, perception, conception and language of the border population. In the process of partition, borders not only marked the number and size of pieces of the continent owned by a European country but also became zones of frictions between competing European nations. Fierce competition for colonies between the British and the French in West Africa resulted in that region being the most fragmented in the continent (Miles 2008:87). The creation of the colonial borders and their subsequent adoption by the post independent African political elites sustain that inherited friction especially in an ethnically divided border areas. With the colonial boundary, cross-border trade emerged and become a permanent feature of border population. The presence of a border settlement therefore created the conditions of a bustling cross-border activity. Currently, the unrecorded trade along Nigeria's border markets is enormous, and what is recorded is usually marginal. The magnitude of cross-border unrecorded trade flow and the lackadaisical attitude of the African countries to turn the border areas to resources for economic development rather than barriers have called for the need to unearth the nature, character and trends that have accelerated it.

Cross-border trade and the growth of Border Markets

While cross-border studies have tended to concentrate on the growth of the trade over the years, they provide a conceptual framework and a wealth of empirical insights which open new possibilities for a clearer understanding of the role of border markets in the economy of developing countries. Cross-border trade had been categorized in the literature in to two types, namely the formal/official and Informal/unofficial (Balami 2011:85). The formal or official cross-border trade is documented in government records as regards its scope, route, volume and other important variables of the trade. It served as a source of revenue and there are national trade policies that provide the framework that regulate the trading activities or transactions (OECD, 2008: 13). The informal cross-border trade on the other hand, is that aspect of the trade in goods that were exchanged across the borders either by-passing the official customs checks and recording points or passing through these customs points while deliberately under–valued, mis-specified or unrecorded (Meagher 2008: 2).

There had been significant increase in cross-border trade in recent years particularly in manufactured and petroleum products in West Africa (Hashim & Meagher 1999, OECD 2007, Meagher, 2008). With the trade liberalization reforms in Nigeria, local currencies were devalued and consequently, consumer goods became too expensive for most of Nigerians. This led to the rise of poverty profile in the country and consequently greater participation in the informal cross-border trade. The country's poverty profile has risen over the years from 27.2 per cent in 1980 to

65 per cent in 1996 (UNDP 2009:63). The country's north-west zone come second to north-east in the poverty figures rate. The north-west zone has 37.7 in 1980, 52.1 in 1985, 36.5 in 1992, 77.2 in 1996 and 71.2 per cent in 2004 (Ibid). By these statistics the zone falls within the United Nations definition for a Least Developed Country or (LDC) although the country itself is classified as Low Income (LIC).

This harsh economic condition pushed people to engage in smuggling as a panacea to economic insecurity. The country's high import tariffs and import prohibitions have also contributed significantly in impeding legal trade and provide incentives for smuggling across the country's borders. Nigeria heavily protects some of its products especially those facing strong competition. In fact, the country's import barrier was categorized as among the highest in the world (IMF 2005, WTO 2005, USAID 2014). Research conducted by Africa Development Bank (2012), also indicate that the cost of doing business in Africa is the highest in the world (also Terravarinton and Raballand, 2009). As a result of the Nigeria's tariff protection policies especially in the 1990s, some of her neighbors namely Benin and Niger began to operate as "entrepot States" for products that are subject to import bans or highly taxed in Nigeria. Related to the above is the harassment meted on the people crossing the border as according to one study conducted in 2010, out of twenty five road blocks mounted at the Nigeria-Benin border area within 10 kilometer radius border crossing point, only five are legal while the remaining twenty are illegal (USAID 2010: 5).

Others look at the growth of the new political, social and economic classes and structure as catalyst for the transformation of cross-border trade in the region (Hashim & Meagher 1999: 12). Abdoul and Marie (2007) identify the underline factors of economic and demographic forces that sustained trade relations between the countries in the sub-region. According to their study, the development of trade relations between southern Niger and northern Nigeria stems from two major activities: trade in local products and transit. The flow of goods from Niger to Nigeria included commodities and manufactured goods from Lomé and Cotonou. The increase in the traded goods especially the manufactured, have been also confirmed by the study carried out by SWAC/UNICEF (2006). The volume of the trade between Nigeria and her neighbors has increased since 1990s (OECD 2001). Nigeria becomes a destination market for goods imported in to the region from the world market. Similarly research conducted by Walther, Tenuke and Kuepie (2012), discover that substantial percentage of imports to Niger from world market ended in Nigeria unrecorded.

In fact, the literature that deals with the growth of cross-border trade in West Africa is generally divided into three parts each addressing the question of why this kind of trade persists especially amidst liberalization policies. The first saw cross-border trade as a tool for economic protest by the common citizens of the countries concerned (Oculli 1996). These common citizens, it is argued, are those who are excluded by post-colonial elites in Africa from benefiting from their corrupt "politics of the belly", by passing the state and denying it an avenue for collecting transaction taxes (Oculi 1996, Balami 2003). The second, view it as a tool of 'integration from below' by non state actors where political leaders have failed to achieve genuine economic and political integration in Africa despite the existence of formal regional associations from the top (Egg & Igue 1993, Hashim & Meagher 1999). Walther (2014) argues that the function of trade networks is constrained by the historical origin of the traders engaged in cross-border activities. His finding reveals that, in those markets where trade has followed the recent liberalization of commerce and where most of the traders are from outside the region, national borders are likely to exert greater influence than in those regions where trade has developed since pre-colonial without major disruptions (Walther 2014:4). The third opinion explains the growth of cross-border trade in the context of an expression of resilient pre-colonial African solidarity which had survived artificial and divisive colonial boundaries and political walls of balkanization (Asiwaju 1989, Barkindo 1989, Asiwaju 2003, Egg and Igue 1995). This view involves a shift of focus from the two above to a more empirical concern with the history, organization and commodity composition of cross-border trading activities. This perspective has also highlighted the critical role of a number of structural features of cross-border trade which would not necessarily be eliminated by liberalization policies.

The approach in these studies is now offering new perspective in understanding the role of borders in the field of economic development (see also Anderson 2007:3). Despite being considered artificial obstacles generated by colonization, (a popular perspective of the colonized), borders are now seen as avenue of new opportunities for many economic actors who benefit from the disparities in economic policies of the neighboring countries. The "state" is perceived by the border actors as stumbling block to their economic interest. They are therefore involved in dialogue and de facto cooperation with their counterparts working on the other side of the border to circumvent states regulations. The point here is that, although local border actors even if united by a common historical ties and anthropological form of relations, they remain separated by official languages, currencies, distinct laws and regulations. As a result, the sorts of trading activities in these border markets remain very much in the main at unofficial level and provide an intriguing example of bottom-up regionalization based on intense historical legacies. Hence, according to Hissen (1981), 'border areas' or 'borderlands' are sub-national areas whose economic and social life is directly and significantly affected by proximity to international boundary. This make them serve not really as boundaries, but as an inter-state pathway, a conduit, an incentive for the movement of goods and people (Asiwaju 2003). Similarly, the socio-cultural and anthropological relationship or ties and the bond of trust between the same ethnic groups that spread across border further negate the assumed function of the boundary. The implication of this to the border inhabitants was that, they traded among themselves without any restriction. Attempt to enforce restriction more often than not failed and even triggered more informal crossings of goods and persons. This further demonstrates the artificiality of the arbitrary boundary demarcation, and further points out that the organic link between the border communities in Africa was not destroyed by the international boundary. It can be therefore argued that, border markets consolidated the functions of boundaries as economic gateways that are very difficult for the state to control. The attempt to enforce strict border control most of the time leads to an increase in informal cross-border trade or smuggling. The next section discusses the role of border markets as conduits of smuggling activities in Nigeria.

Table: 1 List of Twin border markets in Nigeria

S/N	Name of Border market	Border location	Region	Type
1	Illela-Konni	Nigeria-Niger	Sokoto-Konni	Twin border markets
2	Kamba-Gaya-	Nigeria-Niger-	Kebbi-	Tripartite border

	mallanville	Benin	Dosso	markets
3	Jibia-Dan Issa	Nigeria-Niger	Katsina-Maradi	Twin Border markets
4	Illara-Ketou	Nigeria-Benin	Borgu	Twin Border markets
5	Oja-odan-Pobe	Nigeria-Benin	Borgu	Twin Border markets
6	Igolo-Ifangni-Idi Iroko	Nigeria-Benin	Borgu	Twin border markets
7	Kwemwe-Akarake	Nigeria-Benin	Southern Benin	Twin border markets
8	Gambarou-Fotokol	Nigeria-Cameroon	N'Damena-Maiduguri	Twin border markets
9	Damasak-Diffa	Nigeria-Niger	Diffa-Maiduguri	Twin border markets
10	Banki-Amchide	Nigeria-Cameroon	Garoua-Mubi-Jimeta	Twin border markets

Source: CEPS/INSTEAD, **West African Border Markets, Center for social and economic Research, 2014, P.2.**

Border Markets and Smuggling

Smuggling across the artificially internationalized boundary has been a long standing feature of Nigeria's border areas (Miles, 2008:87). The genesis of smuggling in West Africa could be traced back to the attempt made by the colonialists to monopolize a certain area exclusively to the benefit of their traders. When the colonialist established customs stations to regulate and receive duties on export and import goods, the traders and merchants began to avoid these customs stations in order evade the duties and hence the illegal trade. Thus, smuggling in west Africa continued despite the custom stations and anti smuggling laws and regulations that were put in place by both colonial and post-colonial governments of the two countries. In the 1970s and 1980s, smuggling became a common affair across Nigeria's border areas. This is mainly due to the transit trade passing through the neighboring countries. The Nigerian border markets developed hand in hand with ever expanding entreport trade in the neighboring countries of Benin and Togo. Goods imported into Benin and Togo is rarely ordered by the final consumers of these goods. Instead, large importing companies, domestic and foreign- owned, bring goods into the ports of Cotonou and Lome´ to sell to domestic and regional buyers.

In Benin, goods declared for domestic use are quite often smuggled to Nigeria, because Nigerian protection is so high that it is still lucrative to smuggle even after paying import duties in Benin (World Bank, 2009). Goods in transit are subject to a total tax rate of 6.05 per cent, reduced to only 0.85 per cent if labeled for the land-locked countries. Re-exports are taxed somewhat more, at a rate of 14.37 per cent, but re-exports from Benin are insignificant, so this rate is largely irrelevant (Golub, 2012). Transshipped goods do not necessarily or even usually wind up in the stated destination country. Most goods in transit in Benin are declared for Niger but it is widely known that most wind up in Nigeria across the numerous border markets. Smuggling is largely controlled by sophisticated and well-organized networks, with many small operators involved. For bulk items such as rice, wheat and sugar, importers purchase directly from international brokers with whom they are in regular contact. For some products such as cigarettes, foreign companies have local representatives in Benin and Togo. A complex network of canals is also used, with new canals being dug when customs agents patrol existing routes. Specialized warehouses are located along the Benin–Nigeria border areas, built and operated by brokers or private traders. A network of markets also dots both sides of the Benin–Nigeria-Niger border, with sister markets on either side of the frontier.

Being a landlocked country, Niger solely depended on transit trade which passes through Nigeria's land border. In fact since 1980s with the trade liberalization in the region, a volume of export commodities imported in to Niger Republic were distributed to the middlemen along the border towns who also redistribute them to be smuggled in to Nigeria via border markets. The smuggling of goods out of Nigeria was exacerbated by the devaluation of the Naira, liberalization of import regulation and heavy subsidies on fertilizer and petrol prices. Similarly the ban placed on import of staple food grains accelerated cross-border smuggling across the border markets. This is more so since the devaluation of the Naira made the Nigerian goods cheaper than those from the Franc currency zone (OECD 2001:19). This increased the demand for the subsidized goods as well as cheap re-exports goods imported to Nigeria from Asia. The indirect devaluation of the Naira in the mid 2016 coupled with ban on the importation of rice across Nigeria's land borders have once again made Nigerian goods cheaper than those from the Franc Currency zone.

Conclusion: Border markets at the center of trade policies in Nigeria

Cross-border trade is closely connected to domestic whole-sale retail trade which is dominated by the informal sector in Africa. Recorded intra-regional trade in West Africa is small but smuggling is pervasive, despite regional integration schemes intended to promote official trade. In Nigeria, Border markets received boost following expansion of Cross-border trade resulting from changes in the economic policies of the country. Border markets have received a strong impetus from the liberalization of trade that has characterized the last three decades. However Nigerian trade policies are not properly formulated and applied to target border markets. There are many reasons as to why more policy attention should be paid to border markets in Nigeria. The first reason is demography. In almost all Nigerian border areas border markets are heavily populated. Of course, not all border areas are actively engaged in cross-border activities and not all border cities are border markets. However, the fact that borderlands and border cities, far from being marginal, concentrate a significant – and sometimes growing – proportion of the population should invite trade policies to consider border markets as a fundamental component of national economies (Walthier, 2014). The second reason is that border markets are important for local communities and local producers.

Policies focusing on border markets should also aim at supporting local entrepreneurs that sustain cross-border activities. In those regions where most cross-border traders are illiterate, this could be achieved by improving the qualifications of the young professionals and providing structured training and development programs to those already engaged in trade. Place-based policies targeting border markets could also aim at helping border municipalities develop market and transport infrastructure that can simultaneously encourage trade and production activities. An example of such a strategy has been adopted by the Illela border market in Nigeria, which is undergoing rehabilitation and reconstruction works and has designed a website promoting its unique location between Sokoto and Niger. Finally, there is the need to engage border markets in the development of Economic Community of West African States (ECOWAS) trade policies and fully implementing the ECOWAS Protocol on Free Movement of Persons to reduce harassment at the border crossings.

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