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## **Nigeria: Removing Barriers to International Trade Through Encouraging Free Markets and Removing Trade Restrictions**

Located in western Africa, Nigeria is a developing country that has suffered many periods of political mistrust, and communal violence. Accounting for the largest population on the continent, estimated at over 160 million people, Nigeria's government and infrastructure are not functional or well maintained. (Tekedia, 2013) Many small-scale farmers are forced to face problems in food production, including; the absence of fundamental farming skills, lack of resources and scientific research for modern and sustainable farming practices, absence government support, high level of corruption, and a lack of storage facilities. All of these obstacles result in a high waste of time and resources, and low farm production as the result of wastage in course of transportation and trade. Economic activity and output have been depleted due to years of military and government corruption with high levels of mismanagement in Nigeria, despite the restoration of a democracy and economic reform. (Economy, 2013)

Accounting for nearly 40 percent of the GDP, petroleum plays a huge role in Nigerian economy. It is the twelfth largest producer of petroleum in the world, eighth largest exporter, and has the tenth largest proven reserves. (Tekedia, 2013) Mineral resources that are present in Nigeria but not yet fully exploited are coal and tin. Other natural resources in the country include iron ore, limestone, niobium, lead, zinc, and arable land. Despite huge deposits of these natural resources, the mining industry in Nigeria is almost non-existent. Nigeria also is the world's largest producer of cowpea, cassava, and yams – all staple foods in sub-Saharan Africa. Yet it is a food-deficit nation, which imports large amounts of grain, livestock products and fish. Nigeria's huge agricultural resource base offers great potential for growth. Recent government policies have started to show results: The agricultural sector reportedly grew by 7% a year between 2003 and 2007, and at a slightly lower rate in recent years. (Phillip, 2008)

The average number of people in a Nigerian household is about five people. This number gets higher the more rural the area gets. Typically, the head of the family is the father, who has one or more wives and kids. A nomadic Nigerian family usually may live in a large compound with their eldest married son. The nomadic families live in small villages with almost no access to clean water, schools, or hospitals. The most common diet of a nomadic family is usually all grains. They occasionally may feed on the meat and milk they produced. The literacy rate is less than 60%. Access to schools and education prior to the 1990s was very limited. In the late 1990s, the Federal government of Nigeria issued a law for the establishment of nomadic schools to serve for educational needs. These schools were mobile schools erected in the settlements of the nomadic families known as "Ruga". With the lack of access to adequate health facilities, sick individuals embark on self-medication or patronize on traditional health experts.

The efficiency and productivity of the rural population is being hindered by sicknesses and ill health, particularly HIV/AIDS, tuberculosis malaria, and malnutrition. A majority of Nigerian school children lack the proper nutrition that they need, thereby leading to malnutrition. The abundance of malnutrition is now posing a serious threat to education, particularly in developing countries such as Nigeria. Malnutrition is caused by a deficiency in the intake of nutrients by the cells of the body, which results in death. Malnutrition causes stunted and poor growth in children, causing impaired mental development, and poor intellectual and scholastic development. Recently, a report was released by the United Nations Children's Fund (UNICEF), entailing that some childhood diseases in the area develop from long-term results of malnutrition. Although many organizations worldwide have made efforts to combat and stop malnutrition, not much progress has been achieved. To achieve adequate nutrition, trading barriers need to be removed. Research conducted among the nomadic families showed that over 40% of children are

malnourished. When barriers were removed from market access, many families started showing positive results. Food prices came to an all time low, and malnutrition rates were going down (Tekedia, 2013).

The wage of nomadic families comes from the sales of their dairy products such as milk, yogurt, cheese, hide and skin as well as from the sales of the cattle. Generally, nomadic families don't participate in any government related business. Typical nomadic families usually purchase food and necessities at local markets in nearby villages. The majority of people in Nigeria are self-employed. The males are in charge of the care and sales of their cows. The males also decide for the household issues such as time for migration, grazing sites and health problems. On the other hand, the females are the sole distributors and sellers of the dairy products such as milk, yogurt, cheese etc. Agriculture is a huge part of the Nigerian economy, contributing about another 40% of GDP. The agriculture sector employs almost two-thirds of the Nigeria's total labor force and provides a job for about 90% of the rural population. Despite Nigeria's plentiful agricultural resources and oil wealth, poverty is widespread in the country and has increased since the late 1990s. Some 70% of Nigerians live on less than \$1.25 a day (National, 2003). Poverty is extremely severe in rural areas, where up to 80% of the population lives below the poverty line, and social services and infrastructure are limited. The country's poor rural women and men depend on agriculture for food and income. About 90% of Nigeria's food is produced by small-scale farmers who cultivate small plots of land and depend on rainfall rather than irrigation systems (National, 2003).

Rural infrastructure in Nigeria has long been neglected. Investments in health, education and water supply have been focused largely on the cities. As a result, the rural population has extremely limited access to services such as schools and health centers, and about half of the population lacks access to safe drinking water. Neglect of rural infrastructure affects the profitability of agricultural production. The lack of rural roads impedes the marketing of agricultural commodities, prevents farmers from selling their produce at reasonable prices, and leads to spoilage. Limited accessibility cuts small-scale farmers off from sources of inputs, equipment and new technology, and this keeps yields low. Civil unrest also aggravates poverty. Religious and ethnic tensions continue to brew in different parts of Nigeria, erupting into outbreaks of violence and leading, in turn, to escalating poverty and malnutrition. A major factor that hinders agricultural productivity is poverty and gender difference. When a farmer is not able to afford yield-enhancing products and inputs, low productivity and food insecurity are yet to follow. Also, gender differences play a huge role in the productivity. Although women have a significant role in production of crops, they have relatively limited rights to any farmland and a very low access to education. Unstable and low investments in agricultural research leave a lack of downstream farm income increase, rural employment, and economic growth. Also, the lack of modern agricultural technologies will slow the growth of agricultural productivity, and increase rural poverty. Nigeria's government budgeting process is unproductive. Also, private sector agricultural involvement is negligible. There is poor market access and agricultural marketing efficiency in Nigeria. Poor road conditions heighten transportation costs, limiting any access to inputs and credit. This also diminishes transmission of key market information.

Three of the leading staple food crops in Nigeria are cassava, maize and rice. Several improved varieties of these commodities have been released through years of on-station and adaptive research. Most of the varieties released, however, have multiplication problems. Contract growers (also called outgrowers) are often denied good prices for the resulting harvests at the end of the growing season, which in turn discourages future farmer participation. In addition, while many of the varieties are high yielding, they score low on other parameters such as resistance to drought, pests, and disease; and early maturity. On-farm costs of producing these crops are still very high at the small-scale level in Nigeria. Agrochemicals are largely imported at prohibitive costs. Thus, fertilizers and insecticides are rarely applied to recommended levels. Making food available goes beyond increasing on-farm production to include year-round storage and processing. Due to a combination of low productivity and post harvest losses, year-round grain availability is low in Nigeria. Grains in storage are partially lost to storage pests and diseases. There are everyday challenges faced by the various levels of tuber and grain processing. Medium to large

scale processors face problems such as inadequate equipment and fabricators. Problems that cut across all processors include unstable market conditions, unstable government trade policies and difficulty sustaining the supply of raw materials to processors (Tekdia, 2013).

To increase the economic development, promote fair trade, encourage food security, and improve market access by 2015, urgent action needs to take place. This can happen by removing discriminatory international trade policies, and encouraging free trade. Also, reforms from the Nigerian government need to target the increasing rates of malnutrition in under-privileged communities. High tariffs, nontransparent valuation procedures, frequent policy changes, and unclear interpretations by the Nigerian Customs Service (NCS) make importing difficult and expensive, and often create bottlenecks for commercial activities. Nigeria's dependence on imported raw materials and finished goods aggravates this problem, affecting both foreign and domestic manufacturers (Tekedia, 2013). Judicial procedures are slow and reportedly compromised by corruption.

There are many solutions for farmers in developing countries to secure better prices for their crops. There are also many options for farmers to improve competition. The development and fortification of local relationships and understanding of testing solutions are important to the market. The potential multiplier effects of the social and economic benefits that these opportunities could deliver will increase well beyond the immediate value chain. For example, improved agricultural incomes can reduce pressure on local social support systems. As a result, it is clearly in the interests of all stakeholders to work together in ensuing success. It has been stated theoretically and proven pragmatically that economic openness contributes to the standard of the economy (Tekedia, 2013). This is because in a highly competitive environment, prices will get lower as competition increases, and the products become more diversified when consumer surplus emerges. Gains from specialization and efficiency are also further advantages of economic openness. Hence, it is quite reasonable that economies generally desire to be economically open.

Looking from the standpoint of a domestic consumer, trade restrictions will lead to inflated prices, minimal quantity of consumption, and a possibility of fewer choices. Hence, they are harmful. Looking at the overall economy, and taking the long term view, trade restrictions means inefficient production (domestic producers will not be forced into utilizing their resources more efficiently) and also means lower potential economic growth for the economy. There is one possible exception to that last part: trade restrictions that are designed to protect "infant" industries. If there is sufficient reason to believe that an industry that is currently inefficient would become very efficient if it were allowed to compete and grow over a reasonable period of time, then there may be a case made to protect that industry. It would be inefficient in the short run, but in the long run that may change. The problem is that it would take a very specific set of circumstances to assure that such an industry qualifies under that description. Political pressure could not be part of any rational decision-making process, but at the same time politics cannot be eliminated from the reality of it (Phillip, 2008).

The fee for fuel subsidy is steadily increasing at exponential rates. This is partly in result of the rising cost of fuel, meaning the government had to spend more money to keep the domestic prices low, and Nigeria's increasing population. Nigeria's fuel subsidy is not being adequately allocated to important developmental spending. The health care sector is not getting enough money, leading to high infant mortality rates. Infant mortality in Nigeria remains unacceptably high at 90 per 1,000 live births. Infrastructure is also lacking, it was estimated that only 15 percent of the country's roads were paved. The \$8 billion from the fuel subsidy could help to address some of these issues. (Hwedi, 2001). A transparent system must be implemented by the Nigerian government for monitoring and redirecting the use of funds from the fuel subsidy program so that every citizen can review the plans for expenditure. If the Nigerian government can establish this system, the subsidy funds from oil could greatly improve development of Nigerian infrastructure, health care, and much more. Moreover, the removal of the fuel subsidy creates the space for Nigeria to finally develop refinery capacity and consequently increase its potential revenue from the

oil sector and create jobs. Civil society organizations should take this opportunity to fully engage in the debate on how best to redirect the funding from the subsidy program.

ECOWAS (Economic Community Of West African States ) in Nigeria includes free movement of persons and goods, monetary cooperation program, harmonization of economic and financial policies, payment of contributions and enlightenment of the public and economic operations are essential for the regional cooperation. Nigeria must carefully balance its own internal security challenges with its large leadership role within ECOWAS and the region. Instability reigns in the north of Nigeria, where, since 2009, the Islamic extremist groups have been waging a brutal and incessant campaign against government and civilian targets (Margot Shorey). Politicians in Nigeria are desperate to just keep their power. The level of looting should be averted for a potent functioning economic policy geared towards the alleviation of poverty. Political reforms must be geared against the support of the god fathers that manipulate elections. Nigerians must encourage civil debate and prevent punishing those who criticise public policy issues and stop labelling them as ‘anti the movement’. The desperation in clinging and perpetuation in power encourages the manipulation and flagrant violation of laws of the land, hence term limits must be made mandatory for all the elected officials. Nigerian people can use this political process to improve their policies to eradicate poverty.

Nigeria needs active, developmental states capable of complementing and directing market forces as seen in the country of Mauritius. Mauritius is one of the successful developmental states in Africa. Mauritius has modeled its development on the East Asian countries in terms of export-led growth based on manufacturing complemented by generous tax incentives. In the years between 1990 and 1994, the GDP of Mauritius increased at a yearly average of about 5.3 percent, compared to the 0.9 percent in sub-Saharan Africa. The government programs in Mauritius have included a reduction on the export taxes on transfers of agricultural land. The government also terminated restrictions on imports and reduced tariffs and promoted foreign private investment in the Export Processing Zones (EPZ) by providing fiscal and financial incentives in the industry setting. Most importantly, the devaluation of the Mauritian rupee had constructed a realistic exchange rate that helped to make exports internationally competitive. Finally, availability of cheap labor has fitted neatly into the government's labor intensive export-oriented strategy of development. The unemployed, including many women, have been absorbed into the EPZ and has greatly contributed to the growth of employment opportunities. (Shorey, 2012)

### **Some proposals to address the challenges:**

Nigeria can certainly learn from the successes mentioned above in Mauritius. Only through democratic systems of government which, due to the need for accountability and responsiveness to electorates, are compelled to select appropriate economic policies for efficient allocation and utilization of resources, and to provide sufficient incentives to foreign investors to propel development in Nigeria with its agriculture and oil economy. The effect of economic globalization on the number of transnational terrorist incidents within Nigeria will decline. Foreign direct investment (FDI), promote economic development, they have an indirect negative effect on transnational terrorism, prevent proliferation of Islamic fundamental groups, can create an atmosphere for safety and economic vitality. Recent literature suggests that markets for risk can alleviate resistance to reform and protectionist lobby group pressure. Institutions which affect domestic risk reduction can facilitate liberal trade policy and show that there exists a robust positive relationship between openness to trade and the development of financial markets. (Svaleryd & Vlachos). It can mitigate the risks of open trade policy by confronting the global capital market there is no reason to depart from conventional economic wisdom. The way to maximize net benefits is to encourage economic integration while attacking concomitant distortions and other unwanted side-effects at their source. Political reforms including strengthening of democratic institutions, strong support for the rule of law, term limits for the elected officials, and revamping of the economic policies will certainly help Nigeria to overcome its poverty and illiteracy.

In conclusion, it is crucial that urgent action needs to be taken place to increase economic development, promote fair trade, encourage food security, and improve market access by 2015. Firstly, Nigeria's government needs to eliminate any unnecessary trade restrictions and barriers to support international trade. Secondly, to stimulate Nigerian economy, more local level and international trading needs to take place through all the stakeholders in the Nigerian agricultural and industrial sector. Instead of ever expanding fuel subsidy, food subsidy might help alleviate the hunger problem for the rural, agricultural workers and other people living below the poverty line. Finally, political pressures need to decrease as openness to new ideas needs to increase. If these steps are followed, Nigeria can achieve adequate economic development, and achieve food security.

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