Discussion of 'The Critical Role of Informal Trading with Nigeria'

Discussion by John O. Igué

Benin–Nigeria relations are based on close ties reinforced by the disparities created by historical, geographical, and colonial factors. These disparities were amplified by the discovery of oil in Nigeria in the 1950s and the spread of oil revenue in neighbouring countries. For Benin, the result was the adoption of a re-exporting policy introduced in 1973 by the revolutionary government, to take better advantage of Nigeria's oil revenue. This re-exporting system, which turned the country into an 'entrepôt state', has remained in force to this day, despite the various upheavals the country has gone through.

Benin–Nigeria relations also play an important and specific role in the Beninese economy. As such, they have long been the subject of comprehensive studies by various authors, particularly within the Regional Analysis and Social Expertise Laboratory (LARES). From this perspective, the study presented by Golub and Mbaye is interesting because of the specific approach they take; that is, analysing the institutional constraints. Rather than discussing, refining, or adding to some of the points they raise, the discussion here will primarily focus on the future prospects of Benin–Nigeria relations, based on the current situation of the Benin economy. Section I will cover the difficulties facing the Beninese economy following the economic slowdown in Nigeria, and Section II will cover the strategies to be developed for the future.

I The Impact of Benin–Nigeria Trade Relations on Benin's Economic Sector

Despite the enormous benefits of Benin–Nigeria trade relations for the population and public revenues, they constitute serious obstacles to vital sectors of the economy. For the public, re-exporting and imports from Nigeria are the main activities, both in cities and in the border regions. As regards public revenues, the activities of customs authorities, and even the tax department, largely

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depend on these relations. As for the vital sectors of the economy, the competitiveness of the Nigerian market compared to the Beninese market paralyses industrial activity. Various economic sectors are the victim of the trade relations between Benin and Nigeria. The most affected are industry, distribution, and transport. In the industrial sector, the most affected sectors are manufacturers of reinforced concrete and the food industries, including Société Béninoise de Brasseries (SOBEBRA), the Beninese brewing company. Still in the food sector, fish farmers, such as the company Cossi et Fils, which specialises in breeding catfish, have seen a significant slowdown in their activities, as there are fewer and fewer Nigerian customers, the main buyers of these catfish. On top of these difficulties, sellers of imported fabrics, such as Indian merchants located along Avenue Delorme, who sell lace and printed fabrics from China, no longer see large numbers of Nigerian buyers in their shops. Even Walkden, which specialises in selling wax fabric, is no longer immune. These leading merchants from the Dantopka market no longer sell in the quantities they used to.

But the main difficulty for industry arising from the Nigerian financial crisis of recent years is that borne by the cement sector, which faces stiff competition from cement from Nigeria, which is sold along the border at CFA Francs 50,000 per tonne, versus CFA Francs 65,000 per tonne for cement produced in Beninese factories. Given the importance of having your own home in Benin, this trade in cement is likely to lead to the same result as occurred in the trade in Kpayo petrol: it will destroy the cement factories in Benin.

All these crisis situations and collapsing sales weigh heavily on public revenues and people's living standards. In terms of public revenues, these are measured by customs revenues and the taxation of re-exporting activities, as well as the level of taxes paid by private companies. These revenues form the basis of the state's resources.

As regards the consequences of Benin–Nigeria trade relations for the public, these can be assessed in two ways. On the one hand, there are the negative consequences of the state's inability to ensure the vital needs of the population, which are partially met by the extraordinary development of the informal sector. On the other hand, these consequences can also be analysed positively in relation to the competitiveness of the Nigerian market, which is very popular with the Beninese public. Nigerian goods are cheaper, thereby enhancing the purchasing power of the Beninese. The markets for Kpayo petrol, beverages, and building materials imported from Benin's eastern neighbour also work in the same way. These products are less expensive, allowing Beninese to save money.

II THE FUTURE OF BENIN–NIGERIA TRADE RELATIONS

The future of Benin–Nigeria trade relations depends on the envisaged strategies for improving trade relations with Nigeria and preserving the competitiveness of the Beninese economy vis-à-vis its neighbour to the east. These strategies concern both the administrative authorities and the economic actors themselves.

A The Strategies of the Administrative Authorities

As regards the strategies that should be adopted by the Beninese government, we can identify six different strands.

First, better organising Benin's economy around promising sectors, such as strengthening the service economy, for which people based in Nigeria (including ECOWAS managerial staff and international institutions) will need Benin (efficient educational institutions, benchmark health centres, a state-of-the-art communication system with an innovative and efficient financial system, etc.).

Second, improving and promoting the agricultural sectors that are in high demand in Nigeria, including soybeans, maize, pineapples, and livestock.

Third, better organising the actors of this economy, who are currently trying to penetrate the Nigerian market without any discernible plan, only an individualistic strategy, which means it is not possible to ensure the supply and quality of Beninese products on the Nigerian market. The aim should be to organise these actors into cooperatives for each promising sector, to forge links with Nigerian economic operators in order to better negotiate the conditions for selling Beninese products in Nigeria.

Fourth, setting up new bilateral cooperation instruments. Benin–Nigeria cooperation is governed by several bilateral agreements concluded within the framework of the Benin–Nigeria Commission, which meets periodically. Despite the existence of this legal framework, cooperation between Benin and Nigeria does not always meet the expectations of the public of these two countries, who have set up several cross-border cooperation associations in the border corridors. For Nigerian and Beninese companies, the free movement of people and goods rings hollow. They want these cooperation instruments to insist on ending the harassment of traders, that new infrastructure be put in place along the border, such as central purchasing offices and storage warehouses, and that road crossings are cleaned up.

Fifth, setting up a new CFA Franc–NGN exchange rate mechanism, by:

- securing funds that need to be transported, better guaranteeing the system for transaction payments; and
- a comprehensive reflection between the two countries to better stabilise the exchange rate between the CFA Franc and the Naira.

Sixth, setting up a new Benin–Nigeria trade observatory, which has become necessary and urgent in order to better monitor the impact of the policies pursued by neighbouring countries on Benin's development.

B The Strategies of Economic Actors

Various economic actors who would like to do business in Nigeria have very little knowledge of the country and how its market functions. To correct this, it is vital for Beninese economic operators to do the following:

- Set up a mechanism for consultation and partnership between the chambers of commerce of the two countries, to resolve the problems of susceptibility linked to mutual mistrust. Beninese economic operators should also participate in initiatives that bring economic actors together in the region, such as that of Nextport Trade, a company that brings together businesspeople looking to move into the regional market.
- Create cross-border cooperation associations involving all the economic actors who are active in the border corridors, in order to better secure and facilitate the movement of people and goods.
- Better inform entrepreneurs in Benin about how Nigerian companies operate, and about strategies to access the market. Entrepreneurs also need to accept to adjust their prices on the Beninese market, to be better able to respond to the Nigerian competition.

Benin–Nigeria trade relations will remain dynamic regardless of the crises affecting Nigeria and the reforms undertaken by the country. There are two reasons for this dynamism. The first is the proximity of the capital Lagos, which has a population larger than Benin's. (We are talking about an urban area where the purchasing power of the public is always higher than that of the Beninese, no matter how much the Naira falls.) The second reason is the fact that the reforms being implemented in Nigeria do not always take into account the fact that the statistical data in this country are approximations, resulting in fairly large margins that can be captured through local relations.

Nigerians are well aware of this, which is why at the public level everyone is interested in the relations between Benin and Nigeria. But in order for these relations to function properly, Benin needs to be attentive to all the developments going on in Nigeria, and to adjust its diplomatic economic policy accordingly.