The other trade war

A trade war has flared up between Nigeria and neighbouring Benin. It's about personal interests of the powerful

By Hans-Joachim Preuss | 07.10.2019

A vendor poses as he counts Nigerian naira banknotes inside a shop in Idumota Market, in Lagos

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Trade wars are currently in vogue. The most prominent – and most dangerous for the world economy – is undoubtedly between the US and China. But there are more and more protectionist countries, while neighbours are increasingly at odds with each other. This is no different on the African continent. In August, for example, Nigeria closed its external borders for many goods from neighbouring Benin – overnight and without notice.

Producers, market women and street vendors are left with unsold goods. Money changers, dockers and truck drivers are out of work. At the Sèmè checkpoint, over 700 trucks and semitrailers, many with perishable goods, are backed up on both sides of the border crossing. According to recent reports from Abuja, Nigeria's capital, there's no end to the blockade in sight – although it was initially supposed to last just four weeks.

Neither country needs a trade war. Benin, a small nation with a population of 11 million, has a largely agricultural economy that depends on neighbouring Nigeria. Not only does Nigeria have the largest economy in sub-Saharan Africa, but it's also the continent's most populous state, with an estimated 200 million inhabitants. Officially, only 7 per cent of Beninese exports go to Nigeria. However, along the 775-kilometre border between the two countries, there are around 100 illegal border crossings where an intensive informal exchange of goods takes place. This business doesn't show up in the official statistics: fruits and vegetables, cereals, and cooking oils from Benin are in high demand in Nigeria, while fuel and industrial products from Nigeria are very popular with its western neighbour.

The crisis' consequences on both sides

The economic giant has long been bothered by the fact that Benin imports rice from South-East Asia on a large scale, as well as frozen meat and used cars from Europe, the US and the Gulf states, and then immediately exports the goods further along to Nigeria – usually illegally. Nigerian President Buhari cites national food security, and especially grain production, as the reason behind the border closure. Since free trade is guaranteed – in principle – between the members of the Economic Community of West African States (ECOWAS), Nigerian rice is forced to compete with the lower-priced product from Benin.

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For Benin's economy and state budget, there are reasons to fear significant negative effects. According to the World Bank, informal trade with Nigeria accounts for about 20 per cent of its GDP. 15 to 20 per cent of its tax revenue derives from trade with its neighbour. The crisis shows itself most vividly in the 50 to 75 percent increase in the price of '*kpayo*', the smuggled petrol sold by the roadside. Until now, the price was only half of the official rate, due to high subsidies in Nigeria. For passenger transport, 90 per cent of whose fuel is supplied from illegal sources, this means a proportionate increase in costs, severely affecting all users of cars and motorbikes.

Nigerian consumers and traders, especially in the bordering states, are likewise complaining about supply shortages and price increases and see little sense in the government's move. In fact, it seems doubtful that temporary protectionist measures alone can increase Nigerian self-sufficiency in the short term. There has been a significant increase in rice production over the last five years, but this has not managed to satisfy demand in either quantitative or qualitative terms. Even a complete and permanent monitoring of the border (and customs officers) by additional security forces seems virtually impossible over the long term. Nevertheless, the government's policy in Nigeria has met with broad support, as previous agreements with Benin have had little effect.

Brothers in arms

Both sides are experiencing the first effects of economic pressure: Benin's government has reminded its own customs officials of a 2003 agreement between the two countries that prohibits the export of a total of 29 product groups to Nigeria. A meeting of the presidents will take place shortly in order to find solutions. However, relations are embittered, especially because political and economic interests are closely interwoven in Benin and Nigeria.

The Nigerian Aliko Dangote plays an important role here: the wealthiest man in Africa rules over a business empire that includes transport and cement companies and, for some time now, he has been increasingly involved in the grain sector. His influence on the Nigerian regime's economic policy decisions is beyond dispute; and he must have been furious when the export of his cement to Benin became subject to a special tax. He attributes the measure to an initiative by Beninese President Patrice Talon, likewise a multimillionaire businessman, who maintains close links with his former company, Benin Control. After he took office, Talon tasked the company with controlling the country's Import Verification Program.

'When Nigeria has a cold, Benin sneezes,' is a common saying in Cotonou. This time it's Nigeria, however, that is shuddering at the prospect of full-blown influenza over in Benin.

This puts the company in a comfortable situation, since it monitors not only the border traffic but also the imports in the port of Benin's capital Cotonou. Dangote is also friends with Sébastien Ajavon, a successful Beninese entrepreneur and Patrice Talon's toughest political rival. Despite the fact that a sentence by a Beninese court was overturned by the African Court of Justice, Ajavon was forced to flee into exile in France shortly after Talon took office. There, he continues to support the Beninese opposition. Just a few days after the beginning of the trade war, Dangote and Ajavon met in Paris.

Olusegun Obasanjo, former president of Nigeria and known far beyond Africa, is for his part good friends with Boni Yayi, Talon's predecessor. Both are Yoruba, and during their overlapping terms of office, Obasanjo supported his colleague Yayi to the best of his ability. In May 2019, following the violent protests after parliamentary elections in Benin, which shut out the opposition, Yayi was placed under de facto house arrest because the government saw him as one of the perpetrators of the unrest. Obasanjo then turned to the leadership of ECOWAS and his successor and asked them to intervene. At a subsequent meeting between Buhari and Talon, the topic was not officially addressed – but a few days later the siege on Yayi's home was called off.

Obasanjo and Dangote may have used their influence on Buhari to strengthen their stance against Talon. From a Nigerian point of view, he has made too little an effort to establish good contacts with his larger neighbour. The Nigerian government has also been following the recent political developments in Benin with concern. The violent conflicts in Cotonou and in the north of the country have raised doubts about the long-term stability of their western neighbour. Nigeria has enough on its hands protecting its security on its borders with Cameroon and the Central African Republic as well as the jihadist influence in its North. And therefore it has no need for another hot spot on its western side.

'When Nigeria has a cold, Benin sneezes,' is a common saying in CotonouAbuja currently seems so chesty that Benin runs the risk of suffering from a full-blown pneumonia. And so Benin's government would be well advised to bring about a rapprochement with its eastern neighbour – politically, economically, and personally.