

# Government Intervention On Agricultural Goods Imports in Developing Countries: A Survival Necessity or An Unnecessary Protectionism?

## *The Case of Nigeria's Policy Intervention on Rice*

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**Abstract:-** Several arguments have been made in favor of trade liberalization especially as it affects the developing countries and their national economic development. The recent upsurge in the economic fortunes of some of the major Asian countries has been attributed to their openness to international trade namely, their affiliation to GATT and WTO. It is however difficult to link the development in these Asian countries to international trade openness especially for countries like China that combines openness with massive government subsidies for local industries (Golberg, P, and Pavcnik, N (2017).

The paradox of the international trade liberalization versus restriction is that even the countries who are campaigning for open and free trade are practicing some significant level of restriction and protecting their local industries either through regional groupings or unilateral protectionist policy. According to a report published by India's Engineering Export Promotion Council, the engineering export between 1976 and 1978 dropped from 35% to 12%. According to the report the drop was largely driven by trade protection by the Developed countries. During this period Engineering goods were emerging as the biggest export for India.

In African countries like Nigeria, with its high youth unemployment over the years, trade liberation in key sectors has not yielded many benefits. For a country that is blessed with abundant cultivatable land that is used to produce enough crops for the population, opening its borders for free trade on critical agricultural food crops has negatively impacted the sector. The agricultural sector in Nigeria previously contributed to approximately 50% of the GDP but following the discovery of oil in the early 1960s the sector had suffered successive neglect leading to extremely unprecedented importation of food to the country.

Nigeria faced a dilemma on Rice. As the most popular staple food in Nigeria the government was faced with the choice of satisfying the need for trade liberalization which has over the years decimated the local rice sector due to the stiff competition from Asian

producers who obviously enjoy government subsidy or intervene to protect local farmers through trade embargos and tariffs. Since the direct intervention of the government, the rice sector has received a boost in terms of employment generation as well as investment attractiveness to private entrepreneurs.

There then lies the challenge. The tension between international free trade and protectionism will continue until a solution that satisfies different parties is found. For now, the author recommends a system to promotes cooptation among countries without geographical boundaries or limitations. As long as developed countries continue to preach free trade while at the same time protecting their borders the tension will continue.

**Keywords:-**

*Agricultural Development in Africa*  
*Rice Farming in Nigeria*  
*Developing Countries*  
*Government Interventions*  
*Import restrictions*  
*Agriculture and Development*

### I. INTRODUCTION

The battle and debate around protectionism have been on since after the second world war and there is no light in the tunnel on this highly important subject. In fact, the world today has witnessed the destabilizing impact of protectionism in the trade relationship between the US and China. Naturally when two elephants are fighting the key impacts of the fight falls on the grass and young trees around. This is exactly the scenario playing out today. It was also reported that Britain used various forms trade policy between 1721 and 1846 aggressively to protect its industries (Ha-Joon Chang, 2003)

For most developing countries, especially those that gained independence from the so-called colonial masters after the world war 2, protectionism has been used by the more developed countries in many forms and most are still suffering the trade discrimination today as the developed nations continued to develop and sustain creative ways to

maintain their economic power over them as a way of keeping these countries in check. For example, India. According to a report published by India's Engineering Export Promotion Council, the engineering export between 1976 and 1978 dropped from 35% to 12%. According to the report the drop was largely driven by trade protection by the Developed countries. During this period Engineering goods was emerging as the biggest export for India.

Nigeria, the most populous black nation in the world with a population of more than 180m people have had its own share of hardship resulting from trade protection as well as flooding of imported goods. Usually, the developing countries are incapacitated with terms and conditions contained in the "poisoned" aids coming from the developed countries. Sometimes the least excuse is used to provide a seemingly justifiable reason to restrict imports from developing countries. In 2015 the EU banned the importation of some Agricultural goods from Nigeria. The ban had a huge impact on the fledging Nigerian agricultural export sector and the country is yet to recover from that ban. While the EU felt it had a good reason for the restriction a five-year ban with no clear restoration strategy had meant that all the farmers whose livelihood depended on the export would have to suffer some kinds of economic loss for a long period.

The Collapse of the former Soviet Union and the financial crises that greeted the global economy since the early eighties has somehow emboldened the developing countries with the hunger for economic independence. Learning from their so-called masters many of these countries started implementing significant trade protections against other countries, including the developed countries. In 2017 Nigerian placed a total ban on the importation of Rice. This has been widely criticized globally, especially in the Asian countries where most of the imported rice originated from. Ironically the developed countries that have grown their economies through protectionism over decades and centuries are now campaigning for Free Trade while at the same time still protecting their borders.

The question is: are the developing countries, like Nigeria, playing to survive, or are they playing an unnecessary game that hurts the world economic systems?

## II. BRIEF LITERATURE REVIEW

It is theoretically believed that the world will be a better place if international can flow freely among and between countries. Several benefits have alluded to the case for free international trade. Despite the canvassed strong case for free international trade, several countries have erected barriers to free trade (University of Minnesota Library Publishing, 2011). Consequently, there is hardly any country without a kind of Protectionist Policy. The protectionist policy is aimed at restricting the importation of foreign goods into a country to protect certain sectors of the local economy.

In its November 2001 publication the International Monetary Fund reported that the growth of world trade has

risen by an average of 6% over the past 20yrs. Since the establishment of GATT various rounds of multilateral trade diabatization have been held. The last round called the Uruguay Round was completed in 1994 and culminated in the creation of the World Trade Organization. The IMF argues that countries that open their economy to international trade and investment have grown and fared better than countries that continue to protect against international trade. This is true of some Asian economies like China, Vietnam, Singapore, etc.

The big question then is if the international trade liberalization is so beneficial for developing countries, why do we still see a significant level of trade restrictions among countries. Even the countries that make up WTO still protect their own economies.

In the book, Principles of Economics, as adapted by the Minnesota University Publishing Protectionist policy tend to reduce the equilibrium quantity as the local price goes up and supply is limited. The International trade restrictions come in different forms including taxes, tariffs, import duty, levies, outright ban, restrictive import licenses, etc.

As alluded by (Agarwal, 2019) several reasons why countries impose trade restrictions include protection of local producers, employment generation, prevent dumping, improve trade deficit, and to protect or generate revenues. The paradox here is that the same countries pushing for free trade because it would benefit certain aspects of their economies are equally building barriers to international trade on some goods for some other obvious reasons.

- In recognition of the fact that trade is key to the 2030 (Tipping A and Wolfe R 2016)

Agenda of The United Nations Conference On Trade and Development (UNCTAD), the United Nations Sustainable Development Agenda target 17.11 aims to double the share of Global export trade for the Least Developing Countries (LDC) by 2020. 2020 is now upon us but significant progress has not been made towards this aspiration. As trading partners of the LDCs are mostly the Developed economies and other big economies the traffic of trade has been predominantly one-way direction towards exports to the LDCs.

Golberg and Pavcnik (2017) argue that overall trade liberation improves innovation, industry performance, and efficiencies. This is partly because, according to the authors, manufacturers employ better management practices or focuses their resources on their best capabilities. The authors however admit that making a direct link between economic growth and trade liberation will be a difficult one despite seemingly richer data. Despite the benefit of trade liberation, there is still no convincing argument on why developing countries should not intervene to protect their infant industries from more competitive and stronger foreign companies. For some countries, especially when it concerns food crops or processed food, it could be a matter for national security as experience has shown how trade

sanctions have been used by the western countries as a tool for consequence management.

There is also an argument around the employment implication of trade liberalization by developing countries. The America First agenda by President Trump is aimed at encouraging local companies to keep their factories in the US and create jobs locally instead of importing from China. Similarly, for Developing countries like Nigeria. According to the Nigerian President, food security has become a matter for national security and the reinforced emphasis on the most popular staple food in Nigeria, rice, was to implement stiff restriction to rice import while at the same time supporting farmers with subsidies and soft loans to boost local production

### III. NIGERIAN CROP FARMING LANDSCAPE

Nigeria possesses a large expanse of land estimated at 91 million hectares of which 81 million hectares are arable. Most parts of the country experience rich soil, well-distributed rainfall, not to mention the warm year-round temperature (Jeffery Alahira, History of Agriculture in Nigeria, published: September 23, 2013). Nigeria is one of

those few countries in the world that is blessed with a diverse geography. It has an abundance of rain as well as an adequate amount of sun. With Dryland up north, Wetland in the middle belt, and rain forest and mangroves in the south-south of the country it has the capacity for extensive farming in livestock, fishery, and crops.

The major crops grown in Nigeria include:

Northern Nigeria - Groundnut, beans, yam, millets, corn, sorghum, cowpeas, cotton, Irish potatoes etc

South – Cocoa, oil palm, rubber, Yam, Cassava, rice, corn (during wet season), sweet potatoes

Nigeria Agricultural map: Courtesy of the University of Texas Libraries, The University of Texas at Austin.

Despite the abundant natural resources in Nigeria especially in the crop farming sector the sector continues to suffer stunted growth in terms of contribution to the overall national economy, sometimes taking one step forward and two steps backward as shown in the Central Bank of Nigeria (CBN) report below in table 1. What is however clear from table 1 below is that crop production is the main driver for the agricultural contribution to the GDP growth.

Table 1: Sectoral Contributions to Growth Rates of GDP at 2010 Constant Basic Prices (percentage points)

| Activity sector                | 2015        | 2016        | 2017        | 2018       | 2019       |
|--------------------------------|-------------|-------------|-------------|------------|------------|
| <b>1. Agriculture</b>          | <b>0.9</b>  | <b>1.0</b>  | <b>0.8</b>  | <b>0.5</b> | <b>0.6</b> |
| Crop Production                | 0.7         | 0.9         | 0.8         | 0.5        | 0.6        |
| <b>2. Industry</b>             | <b>-0.5</b> | <b>-2.0</b> | <b>0.4</b>  | <b>0.3</b> | <b>0.5</b> |
| Crude Petroleum                | -0.6        | -1.3        | 0.4         | 0.1        | 0.4        |
| Construction                   | 0.2         | -0.2        | 0.04        | 0.1        | 0.1        |
| <b>3. Service</b>              | <b>2.5</b>  | <b>-0.5</b> | <b>-0.4</b> | <b>1.1</b> | <b>1.1</b> |
| Trade                          | 0.9         | -0.0        | -0.2        | -0.1       | -0.1       |
| Information and Communications | 0.7         | 0.2         | -0.1        | 1.1        | 1.1        |
| <b>TOTAL (GDP)</b>             | <b>2.8</b>  | <b>-1.5</b> | <b>0.8</b>  | <b>1.9</b> | <b>2.3</b> |

Source: 2019 CBN (Central Bank of Nigeria) Draft report

Though the focus of this piece is on crop production the natural resources of Nigeria span across several sectors of agriculture including fishery and poultry. Nigeria has the potential to be a net exporter of virtually all food crops that are currently grown in the country. Currently, Nigeria has 75 percent of its land suitable for agriculture, but only 40% is cultivated. That indicates there is much room for the country to focus on (Omorogbe et al, 2014)

#### Agricultural Food Production in Nigeria - Key challenges

Agriculture had always been part of life for the people in modern-day Nigeria even before the Europeans came to the area several centuries ago. The farming system at this period was mainly subsistence farming. These include both livestock and crop farming. Livestock like cows and goats as well as crops like millet, and groundnuts were very popular among the people of the North while crops like maize, yam, and cassava as well as chickens and goats were very popular among the people of the south. During this period the output from subsistence farming was more than enough to feed the communities and farming was mainly with basic implements. The arrival of the Europeans brought

mechanization and some level of extension services into the region and by 1960 when Nigeria became independent cash crop farming was already well established but mainly to satisfy the needs of the European factories example cotton for textile (Jeffery Alahira 2013).

Since gaining independence Nigeria has embarked on several initiatives to boost agricultural production. This has been necessitated by the booming population. The rate of population growth outstripped the growth rate in agricultural production resulting in a dangerously widening gap between food supply and population to be fed (Asiegbu, 2000). However with the oil boom that occurred shortly after independence agriculture became a secondary focus for the government. With less focus on agriculture, food import became inevitable, and rather than local agricultural boom we have had a boom in food crop import. Despite this development, the share of agriculture to the GDP was still approximately 50% (Central Bank of Nigeria Report 2000)

According to the Food and Agricultural Organization (FAO) of the United Nations, Agriculture employs about

two-thirds of the population currently. Nigeria remains the largest producer of yams and cassava in the world. In the early 1960s and 70s Nigeria's agricultural sector contributed significantly to the overall economic production in the country and accounting for more than 50% of its GDP. Despite the crop production potential of the country the reality today is only but a shadow of the country's aspiration.

The challenges facing Nigeria's Agricultural sector is a subject that is well known and written about extensively spanning political leadership, economics, international politics, etc. For the purpose of this paper, the author would focus on the top impactful challenges.

In his paper, Challenges and Prospects of Agriculture in Nigeria: The Way Forward, published in the Journal of Economics and Sustainable Development 2013, Oni Olukunle eloquently articulated the key issues facing Nigeria's agricultural production. The author discussed several issues, including Marketing Problems, Storage problems, Infrastructure, unstable input/output prices, availability of labor, poor investment, inadequate policy and programs, and many more. The review of the Nigerian Agric Production will be along these lines. For the purpose of this article, the author will focus on three challenges.

**Market Problem & Infrastructure** – One of the biggest issues for agricultural product marketing in Nigeria is the lack of an adequate road network. Most Nigerian rural roads are in very deplorable conditions (Olukunle, 2013). As most of the crops are grown in rural areas the market access has been undermined extremely by poor road infrastructure. Additionally, even though most urban cities can boast of e-business the rural farmers still face a serious challenge in communicating with marketing agents due to endemic lack of electricity. Even if we can isolate the problem of e-commerce inadequacy the inability to transport the crops (after the online transaction) to the buyer at the right place and time is still a major huddle.

To solve the infrastructure problem Nigerian government in 1986 established The Directorate of Food Roads and Rural Infrastructure (DFFRI). DFFRI was a mini systemic program. It was meant to rehabilitate and build new roads to connect the rural areas with the major cities, provide water and electricity facilities, houses for rural communities, disseminate best practice. This was a clear appreciation of the integrated nature of the agricultural production and development ecosystem.

From the time of inception in 1986 and 1992, DFFRI had completed over 278,526 km of roads - Abuja Journal of Sociological studies (AJSS) Vol 5 (3) ISSN: 1596-57XX, October 2018 Pp: 236 – 256 245 roads, over 5,000 rural communities benefited from its rural electrification Programme. Also, on the water supply to rural communities, 4,000 boreholes/wells were reported to have been sunk by 1980. Another 1, 291, 11,310, and 18,680 wells and boreholes were sunk in 1990, 1991, and 1992 respectively (Ekpo and Olaniyi, 1995). DFFRI developed rural access roads. "Government Survey indicated that 60,000km of rural feeder roads were either constructed or rehabilitated under the first phase which was completed in 1987" (Boro and Nwakanma, 2018). Despite the beautiful and ambitious objectives of DFFRI, its impact did not last long as politicians started to focus resources away from agriculture.

**Poor Investment** - In relative terms, the agricultural sector has suffered investment neglect significantly over the years. A review of the 2019 CBN Draft Report indicates that the amount of the loan guaranteed for the agricultural sector indicates a struggling interest and support from the wider investment community, including international Aid support over the past 10 years as indicated in the table below. There has been a downward trend of financial support for the agricultural sector. The poor investment could be linked to the overemphasis on Oil and gas industry as well as struggling crop prices and high risk associated with agricultural production in Nigeria.

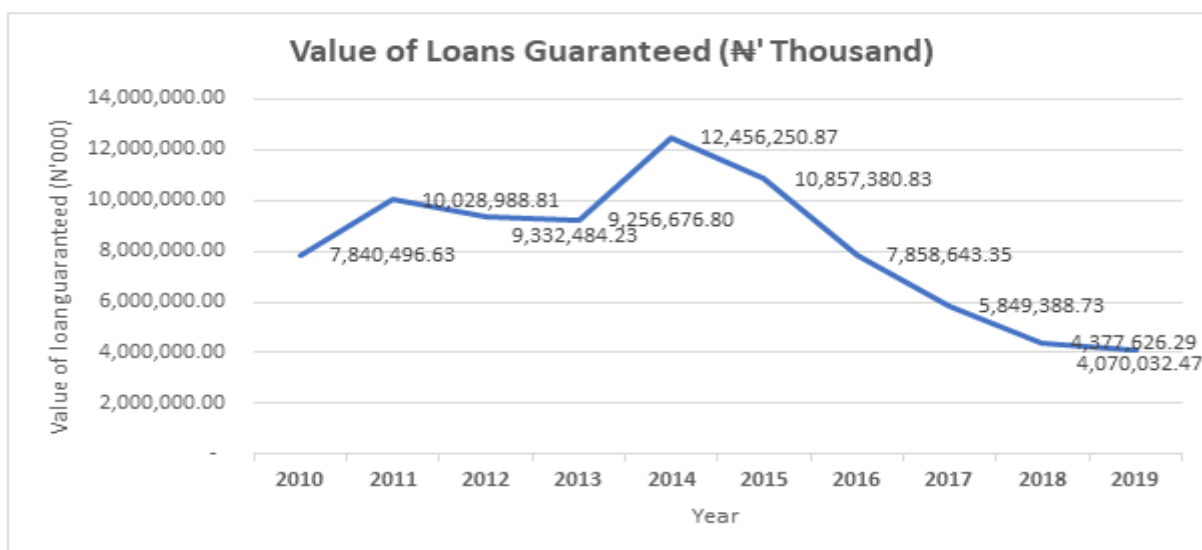


Figure1: Trend of Financial support to Agric via Loan Guarantees  
 Source: Author-generated chart based on data from the 2019 CBN draft report

Policy Inconstancy - The third challenge facing Nigerian Agric production is the leadership policy inconsistency. With successive governments jostling for their own programs and not wanting to be seen to be implementing the program of the previous government Nigerian has had myriads of agricultural development programs with very little to show for them. The myriads of agricultural development initiatives include the few below:

National Accelerated Food Production Programme (NAFPP) – 1960s

Operation Feed the Nation (OFN) 1976

National Agricultural Land Development Authority (NALDA)

Green Revolution Programme (GR) 1979

River Basin Development Authority (RBDA)

Agricultural Development Programmes (ADPs)

Directorate of Food, Road and Rural Infrastructure (DFRRI) - 1987

Better Life Programme (BLP) For Rural Women - 1987

Family Support Programme (FSP) – 1994 (Run by the wife of the Military dictator)

Family Economic Advancement Programme (FEAP) -1996 (Run by the wife of the Military dictator)

National Fadama Development Project (NFDP) - 1990s

National Economic Empowerment and Development Strategy (NEEDS) - 1996

National, Special Programme on Food Security (NSPFS) - 2000

Root And Tuber Expansion Programme (RTEP) - 2003

Agricultural Transformation Agenda (ATA) - 2011

Nigeria does not lack initiatives. What it lacks is the consistency of political will and selfless leadership that is not based on political association.

International Aids Laced with International Protectionism – There is no doubt that foreign aid has contributed to the growth of agricultural development in Nigeria to some extent. A good number of agricultural development initiatives in Nigeria are partly motivated or sponsored by international assistance. In his research paper, The impact of agricultural foreign aid on agriculture in Nigeria, Nahanger Verter concluded that international aid has contributed positively to the agricultural development in Nigeria. Using OLS regression, Granger causality, and VDA approaches, the OLS results show that agricultural ODA (Official Development Assistance) has a positive connection with crop production in Nigeria.

However, aids are just one part of the story. Nigerian farmers face difficult challenges in exporting their farm produce or processed crops to the developed countries, including China. In his article " Reality Check: What are the tariffs on trade with Africa?", published in August 2018, Andrew Walker, BBC World Service economics correspondent wrote: "The EU says it gives tariff-free access for 57% of products and reduced rates for most of the rest. But the minority of goods still subject to full tariffs are often farm produce". So, while the Developed Countries

give aids with the right hand they use the left hand to limit the prosperity of the countries they are aiding through protectionism. In January 2019 EU announced that it would impose eur175 per ton for rice imported from Cambodia and Myanmar (Gro Intelligence 17 January 2019) despite the "Everything But Arms" trade policy for developing countries. Some tariffs vary seasonally - oranges have higher tariffs when the EU crop is available Walker (2018). The reality is that most countries protect their national interests first and any situation of conflicts is managed in the best interest of the country.

Focus on Rice Production – Legacy Issues

The history of rice in Nigeria is a subject of much debate. It is however believed, according to several sources that rice cultivation in Nigeria dates back to earlier than 2000BC. *Oryza glaberrima* Steud specie is believed to have been grown traditionally before the introduction of the Asian brand, *O. sativa*. Although there is no clear information on the route of *O. sativa* into Nigeria, nevertheless, several theories were speculated. One of these theories believed that Asian rice arrived in Africa through Madagascar from Java. Many African countries including Nigeria might likely have received the Asian rice through this route ( Danbaba, Abo, 2007). For the purpose of this article, the date and origin are much less important than the historical development of rice production since its introduction in Nigeria.

Since 1960 rice has become one of the top three most popular food crops in Nigeria and farmers both in the North and south of the country were thriving. Rice is both staple and ceremonial food. There is no wedding or major ceremony in Nigeria without rice or rice-based food. Despite the long history of rice in Nigeria the farming methods, including mechanization remains backward relative to the much more advanced farming techniques in Asia and other western countries. This can be attributed to the fact that most people engaged in rice farming had been mainly illiterate farmers who found it difficult to adopt modern farming techniques.

From 1960 onwards there have been increased activities and involvement of more farmers in rice production in Nigeria. However, the increased production was not growing at the same pace as the population, leading to a sustained gap between local production capacity and demand. In their research paper, Growth Trend of Rice Demand and Supply in Nigeria: An Investment Opportunity for Youth and Women, Oyakhilomen Oyinbo, Maiyaki Abdullahi Damisa, Grace Zibah Rekwot, concluded that while the demand for rice was growing by 7.5% and 7.8% (instantaneous and compound growth rate) per annum the supply was growing by 6.5% and 6.7% for the period 1970-2011. According to the Rice Industry Review report by KPMG, the demand and supply deficit in rice has continued and even increased over the years. To close the gap in demand and supply the importation of the paddy price (the most commonly consumed rice type in Nigeria ) became the easy option.



Figure 2: Demand and Supply of Rice in Nigeria 2007-2018 (in 000' tonnes). Source: Rice Industry Review 2019, KPMG Nigeria

It is fair to note that the biggest challenge facing rice production in Nigeria is government policy inconsistency. Successive Governments have been struggling with the policy on rice and the ban and unban of rice importation has been moving in a different direction depending on which party and which minister is in charge. The inconsistency of policy has made it too risky for serious agricultural investors to venture into rice farming in Nigeria. For example, in 1974 the Government banned the importation of rice. The further imposition of restrictions was implemented in 1986. It was expected that such restriction will further empower local farmers but that was never realized because despite the banning illegal imports were still flourishing through the

land borders with neighboring countries like the Republic of Benin. From the chart below, more than 6mln metric tons of rice were imported between 1990 and 2000 alone. This period also includes the lifting of the ban in 1997. Due to the high cost of production, Nigerian rice farmers struggle to compete with much cheaper Asian brands. In 2014 the import policy was reviewed again to encourage local farmers through the introduction of tariffs and duties for imported rice. Currently, there is a complete closure of the land border for goods import with special attention to rice and approximately 70% duty and levy on rice imported through the sea.

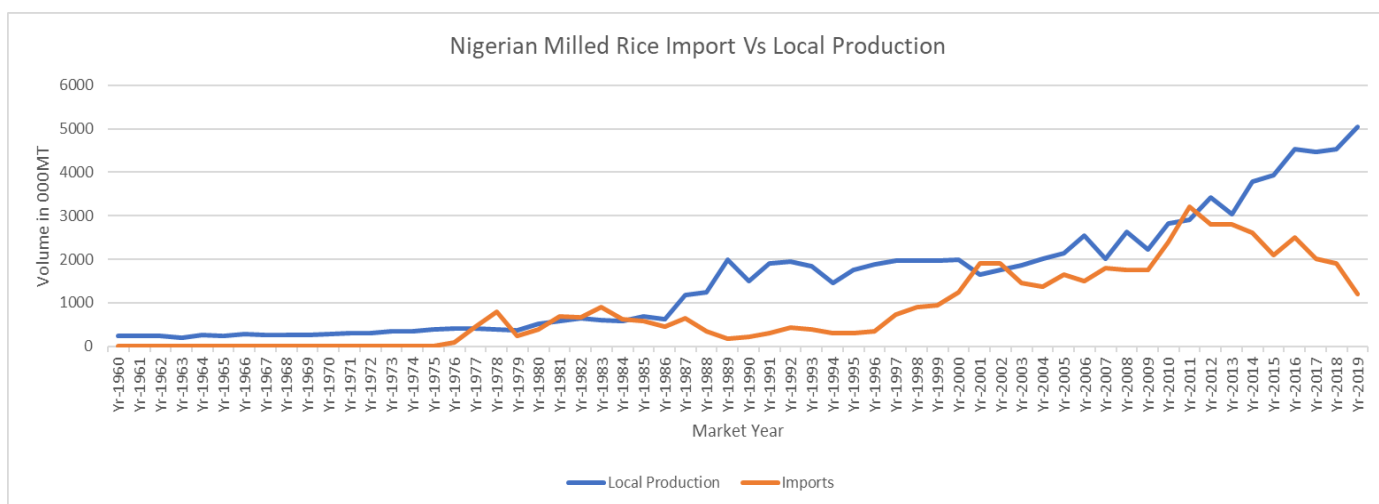


Figure 3: Nigerian Milled Rice vs Local Production. Source: Author generated chart based on data from United States Department of Agriculture

From the chart above one could observe a visible improvement in the rice production in Nigeria as the volumes continue to trend high and a significant offtake 2013/2014 through 2019. This has been driven by the much more stringent effort on border control and support for local farmers. For example, local production has increased from approximately 2.8mln mt in 2010 to 5.4mln mt in 2019. During the same period, Import has dropped from 2.4mln

mt to 1.4mln mt. It is however important to note that despite the progress the local production capacity is still not capable to meet the demand. With approximately 7mln mt in demand annually there is still a significant gap that needs to be filled. This gap has been driven mainly by the inconsistency and half-hearted nature of most government initiatives.

**Impact of Rice Import On Nigeria Economy**

With several banning and unbanning of rice importation in Nigeria, the local farmers have experience experienced everything but stability in their businesses. For every new government or new elections, there is the uncertainty of what is to come or expect for the rice farmers starting from 1974 till date. As the most commonly known staple food in Nigeria, the decisions of the government on rice has a strong and direct impact on the dining tables of every family in Nigeria and by implication on the economy of the country.

Excessive rice import, by the share volume of its consumption in Nigeria, will negatively impact the poverty level of the rice farmers in the Country. The higher cost of production relative to their foreign counterparts means that low profit will drive the fortunes of these farmers to the south (Abbas, Agada, Kolade 2018). Apart from the low application of modern farming methods, the local farmers do not enjoy the level of subsidies that their foreign counterparts enjoy.

Abbas and co-authors also infer that unrestricted importation of rice would amount to creating employment opportunities in the exporting countries. The other side of the coin naturally will mean further unemployment in Nigeria. Unemployment in Nigeria is already the biggest menace in the country and gradually getting to social epidemic proportions as evidence by the youth unrest in October 2020 across Nigeria. The extreme impact of the rice-related unemployment will span across the value chain starting from the farmers to the logistics, middlemen, retail as well as professionals involved in providing other kinds of support to the rice production value chain.

**Foreign Exchange Reserves Depletion –**

With Approximately more than \$1.0bln spent on rice import annually (see figure below) the dent on the foreign exchange reserves and overall national treasury is extremely significant for a developing country like Nigeria.

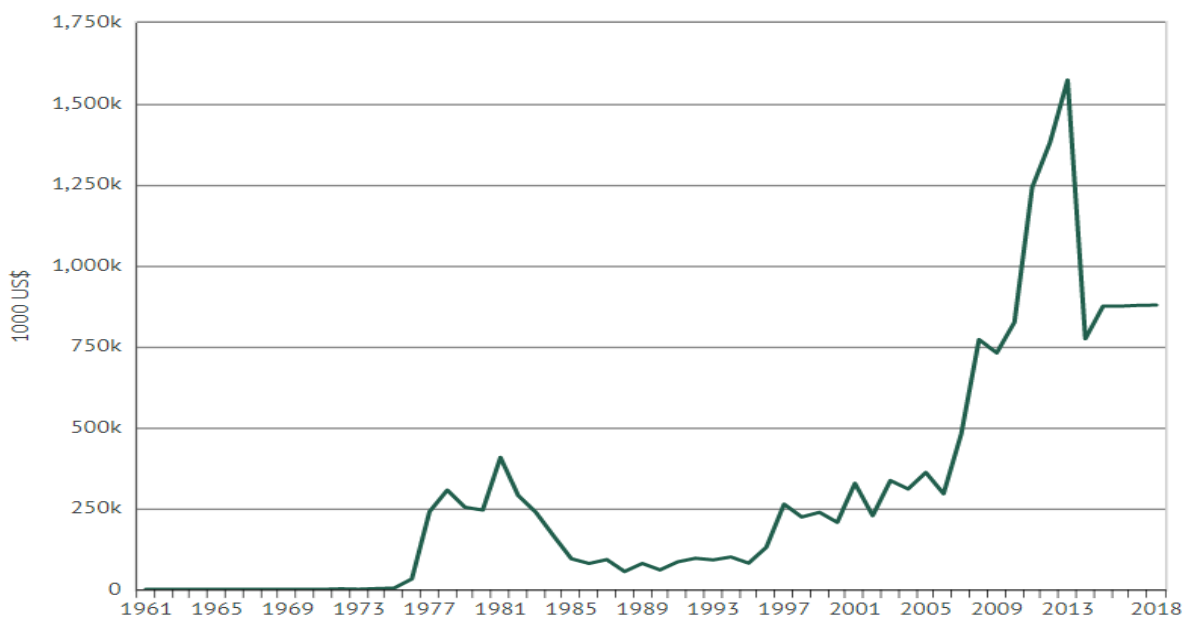


Figure 4: Nigeria Rice Import Trend ( in \$'000) 1961-2018

Source: Knoema. <https://knoema.com/atlas/Nigeria/topics/Agriculture/Trade-Import-Value/Rice-imports>  
 Original Data source: FAOSTAT, FAON. [http://faostat3.fao.org/download/T/\\*E](http://faostat3.fao.org/download/T/*E)

The chart above shows a dynamic history of rice import with a significant spike during 2008 -2013. This spike is explained by the liberal import policy commencing in 2008. For example, in 2008, the tariff was zero until October of that year. And afterward 30% until 2011-2012 when it was increased to 50%, and then 110% from 2013. The spike in imports automatically leads to a dip in local farmers' fortunes as well as a general impact on the economy. Most rice imports in Nigeria come from the USA, China, Thailand. Irregular policy on rice is one of the most undoings for the rice industry in Nigeria.

**The National Dilemma -** With so many funds going into consumer goods import like rice, little is left for capital investment in that sector. Should the Nigerian Government continue to invest in rice import or local rice production especially in mechanization and technology?. This is the choice faced by the Federal Government. In the face of high unemployment, depleting foreign exchange, oil-dependent economy, rising agitation by the local farmers, what would a typical government do? The Nigerian Federal Government decided to act.

In 2015, The government directed The Central Bank to stop funding the foreign exchange for food import, including rice. This action would create more capacity for the government to target the limited foreign reserve to support mechanization of farming as well as importation of high-yielding seeds. This would also make imported food crops more expensive than locally produced ones.

In the 2018 budget, the Government announced that food security has become national security for the country. This was a clarion call and a clear move to take action to protect the national interest. This announcement is the climax of the new era in trade policy for rice in Nigeria. Since 2014 the government had begun aggressive efforts towards local food production, and rice was one of the prime targets. The huge tariff was imposed but it did not seem to have much impact as a significant volume of imported rice was coming into the country through the porous land borders thereby undercutting the effort of the Federal Government.

The government has also increased subsidies and loans to farmers. In November 2018 The Government reported it has spent \$165mln in supporting rice production through subsidies (Falayi, August 2019)

There is also currently a 70% import duty on rice in addition to other levies. Again, this is aimed at protecting the local rice producers from the stronger foreign producers who are equally enjoying various levels of support from their own government.

As part of the new era or new approach, all land borders were closed in 2017 thereby completely shutting out illegal imports. In addition, governments at the state, local, and federal levels have become very aggressive in supporting farmers across the country in a much more integrated manner. Between 2015 and 2020 there has been

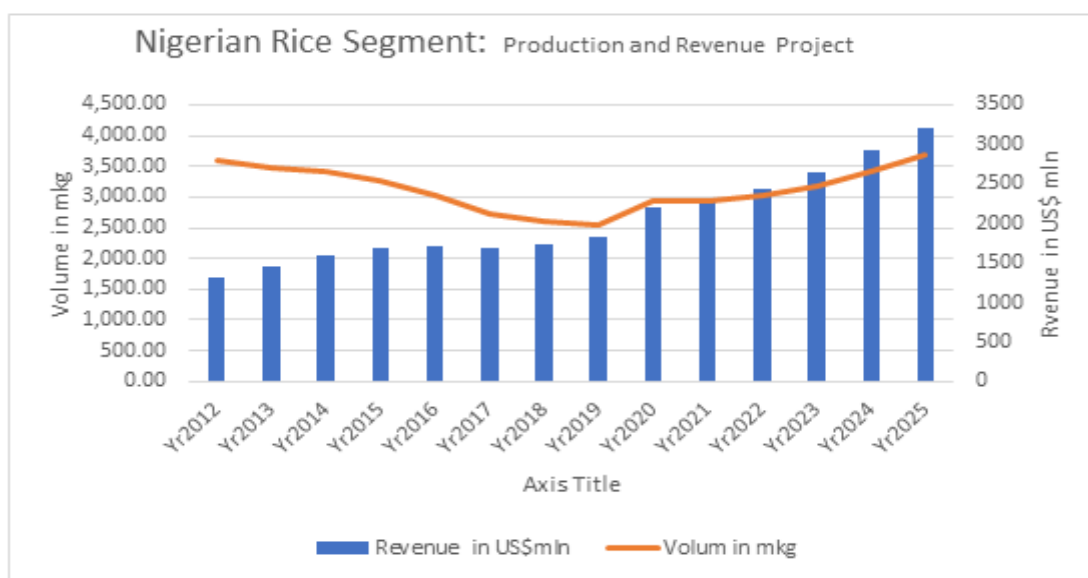
an upsurge in agricultural entrepreneurs in Nigeria mainly driven by favorable government policy. State Governments are providing free land and low rental mechanical equipment for farmers. This is proving the much-needed investor confidence in the rice segment. Even the richest of the Nigerian businessmen and women are investing heavily in rice production. The Government effort has galvanized the local investors who are kin to take advantage of the huge demand for local rice.

The sustained efforts have resulted in the upward trend in local rice production from 2014 and peaking in 2017 - 2019 period. According to Gro Intelligence, Nigeria's long-standing policy on import substitution (essentially banning the import of foods) seems to be having a positive impact. More area is planted with rice, boosting production to 4.78million tonnes 2018/19 up from 3.03million tonnes in 2013, source - USDA (reported by Gro Intelligence Dec 2018).

Additionally, there has been an upward impact on the area of land cultivated for rice. Between 2009 and 2018 the total area of rice-cultivated land has increased from 1.8m ha to 3.3mha. This is a direct impact of Government policy.

There is also a cultural re-orientation among the Nigerians regarding general consumer behavior. The locally produced rice is now enjoying increasing popularity among Nigerian families. The low level of pesticides and other harmful chemicals make the Nigerian locally produced rice a lot more attractive as people become more conscious of their health.

If this effort continues without interruption Nigeria would have a very high chance of unshackling itself from the burden of rice imports. This is further reinforced by the projection from Statistica for Nigerian rice prices and production volume as shown below:



**Figure 5: Nigeria Rice Segment: Volume and Revenue Projection**  
 Source: Author-generated chart based on data adapted from Statistica  
<https://www.statista.com/outlook/40060200/160/rice/nigeria>



#### IV. CONCLUSION

While there are several advantages or arguments for free trade or trade liberalization devoid of any kind of restriction the fact that there is hardly any country in the world without a kind of import restriction suggests that there are significant disadvantages for countries involved depending on the commodity at stake. This is even more so for developing countries like Nigeria.

The National Governments have a political and social responsibility to protect employment and industries in their countries and this creates a big dilemma. In most cases, the choices are made in favor of the local economy.

The case of the Nigerian government and the national policy on rice is a very important case study. This import restriction and de-restriction policy has been on since after independence leading to near extinction of the local rice production sector due to stronger competition from China, Thailand, the US, and other countries. Unemployment in the rice sector has been a huge embarrassment despite the excellent rice-friendly terrain in the country. The rice saga eventually turned into national food security for the government who decided to aggressively pursue the import restriction by sustaining high import duty and tariff, shutting down of the land borders, and implemented an integrated support program for rice production.

For the Nigerian Government, it has a moral responsibility to protect the economy of the country especially as it involves the most staple food in the country. The Nigerian government views the rice policy as a matter of national security. It is worthy to note that the Nigerian government's position on rice is not different from the European government policy on meat and dairy products.

On the other hand, countries outside Nigeria like Thailand, India, and other countries who export rice to Nigeria may see this policy as not encouraging international trade or protectionism because of the impact on their own local rice sector who has net export production capacity.

At the global level, the tension between national preservation driven by sovereign interest versus unrestricted international trade continues, and achieving a healthy balance has been elusive. How would a country operate unrestricted import of goods without damaging its own local productive capacity or in the face of high unemployment in the same local sector as imported goods? This global trade dilemma needs to be resolved both theoretically and in practical terms to facilitate free trade that is devoid of tension. International free trade based on the pure market competition cannot and has not been able to solve the contradiction. It's a market paradox that, at least, for now, defies a solution that is acceptable to all parties.

The author believes that a kind of "Universal sovereign cooptation" – collaborative competition between countries and groups of countries with limited or no membership restriction and with an equal voice. The current regional trade agreements or even the WTO that is largely

controlled by bigger economies has failed to manage this trade tension sustainably and the continued battle of interest between China and the US is just an example of the ineffectiveness of the current arrangement. Hopefully, a future study will explore more into the concept of universal sovereign cooptation. One important lesson from international trade theory is that trade liberalization generates winners and losers Golber, P. & Pavcnik, N. (2017).

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