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GOVERNMENT POLICY ON BORDER CLOSURE AND TAX REVENUE GENERATION

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Abstract

This study investigates Government policy on border closure and tax revenue generation. The Study explores the conceptual impact of border closure Policy on tax revenue generation, using library method. Government policies on border closure have been employed by various countries to achieve economic goals or otherwise, the closure of borders can have both positive and negative influence. This study employs a comparative analysis approach, using secondary data comparing four years before border closure and during the closure. Nigeria's border closure policy has been successful in boosting tax revenue with exception to year 2020, which was peculiar due to COVID 19 Pandemic.

Findings reveal that Nigeria's border closure policy has led to an increase in tax revenue. However, Since the border was closed down in August 20th,2019 in Nigeria till date 2024 for Agricultural products, there has been no time that items for which the border was closed were not found in the market. Also, looking at the export and import data it has kept increasing as it (border closure) has not affected revenue so far, it is recommended here that the border be kept open, so as to reduce the high cost of items in the market and increase more income to the government of the nation-Nigeria.

Keywords: Closure, Border, Government, Policy, Tax, Revenue, Generation, Nigeria.

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Introduction

Every government makes policies which they deem will be of benefit to the state or nation at large. Government is a body in a state which is saddled with the responsibility of the state for a better life for her citizenry. The term government describes a system of governance that directs and regulates a nation, state, or local community, usually comprising a distinct group granted the authority to establish and implement laws. The Nigerian government closed its land borders for the importation of agricultural products, on August 20th, 2019. This closure was part of efforts to curb smuggling and boost local production. In the year 2019, this very date it was on air how the Nigeria government made a policy on the border closure in Nigeria on Agricultural products, in order to strive the home made agricultural produces in Nigeria and even with the issue of corona virus also known as COVID 19, government of nations also have to make policies even on border closure to prevent the spread of the virus and lock down on businesses. Do all these policies affect the tax revenue and the economy of Nigeria government positively or negatively? Of course yes, a novice will answer, but however the theory of invisible hand could apply on its economy - the theory propounded by Adam Smith, on the other hand it could be a comparative advantage.

Government policies on border closure have been employed by various countries to achieve economic goals or otherwise, including increased tax revenue (Tanzi, 2013). Studies have shown that border closure policies can have both positive and negative effects on tax revenue generation, depending on various factors (Bhagwati, 2017; Krugman, 2015). Nigeria's border closure policy, implemented in 2019, aimed to boost tax revenue and promote local production (Adeoye, 2020). South Africa's border closure policy, implemented in 2013, aimed to protect domestic industries and increase tax revenue (SARS, 2019). On this premises this paper intends to ascertain conceptually the extent to which government policy influence the tax revenue generation in Nigeria considering the indirect tax (Tariff-Import and Export Duties) Revenue with special attention on the closure of border in Nigeria on Agricultural Produces. The subsequent sections of this paper will provide an in-depth review of the literature pertaining to the key variables. followed by the conclusion and recommendations.

Literature Review

Tax Revenue

Obviously from all emphasis placed on tax revenue, no government will be able to run the economy without tax revenue, Tax according to Okonkwo and Chukwu (2019) refers to compulsory payments by individuals and organisations to relevant government agencies and departments. Taxation serves as the primary means of financing government activities worldwide. As a critical component of resource mobilization, tax revenue is instrumental in supporting economic development and facilitating governments' attainment of their economic and social goals (Brautigam, 2002), said 'Revenue may be extracted from sources such as individuals, public enterprises, trade, royalties on natural resources and/or foreign aid, An inefficient collection of taxes is greater in countries characterized by poverty, and large agricultural sector'.

Again, tax is seen as a compulsory financial charge or some other type of levy imposed upon a taxpayer (an individual or legal entity) by a governmental

organization in order to fund various public expenditures (Charles, 2015). Failure to comply with tax laws, including evasion and resistance, is subject to legal consequences. Taxes are classified into direct and indirect categories. Direct taxes include corporate income tax, PAYE, and capital gains tax, whereas indirect taxes, comprising import and export duties, excise duties, and value-added tax, are levied on goods and services.

Tariff

An import or export tariff is a charge imposed on goods transported across national borders. Tariffs can discourage trade, and governments often use them to safeguard domestic industries and generate revenue for various purposes.

According to Krugman (1993) A tariff is a tax imports or Exports sovereign states (countries) It is a form of regulation of a policy that taxes foreign products to encourage or safeguard domestic industry. An import or export tariff is a charge imposed on goods transported across national borders. Tariffs can discourage trade, and governments often use them to safeguard domestic industries and generate revenue for various purposes. Gregory(2015)_Tariffs therefore provide an incentive to develop production and replace imports with domestic products. Tariffs are meant to reduce pressure from foreign competition and reduce the trade deficit. They have historically been justified as a means to protect infant industries and to allow import substitution industrialization. Tariffs may also be used to rectify artificially low prices for certain imported goods, due to 'dumping', export subsidies or currency manipulation.

There is near unanimous consensus among economists that tariffs have a negative effect on economic growth and economic welfare while free trade and the reduction of trade barriers has a positive effect on economic. However, liberalization of trade can cause significant and unequally distributed losses, and the economic dislocation of workers in import-competing Custom and Excise Duty Fazoranti, (2013) described Import duty as a levy on imports by custom authorities in Nigeria to raise revenue for the government and protect domestic industries from predator competitors abroad.

Ibadin and Oladipupo (2015), Import duty is generally on the value of goods or on the weight, dimensions or some other criteria that are determined by the government. They are charged as a percentage of the value of import or a fixed amount of specific quantity (Fazoranti, 2013). Okoye and Gbegi (2013) held that government sometime imposes duties to hurt another country by making its exports more expensive. Olurotimi, (2013) asserted that export duty is levied on the goods passing through a customs area with a route to another area or country. Point of taxation will be occurring from the date of export or from the movement of transferring goods from one country to another (Okoye and Gbegi 2013). Export duties are no longer used to a great extent, except for certain mineral, petroleum, and agricultural products. Several resource-rich countries depend on export duties for much of their revenue (Ugochukwu and Azubike, 2015). Export duties were common in the past; however, were significant elements of mercantilist trade policies. Inyiama, Ikechukwu and Madubuko, (2016) affirmed that an excise duty is the type of tax charged on goods produced within the country (as opposed to

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customs duties, charged on goods from outside the country). Though the collection of excise duty augments revenue generated by the government to provide public goods and services, however, over the years it has been used as an instrument of fiscal policy to stimulate economic growth (Olurotimi, 2013).

Factors Affecting Tax revenue:

Tax revenue is a crucial source of income for governments, enabling them to fund public goods and services. However, the amount of revenue a government can collect is influenced by a multitude of factors, ranging from economic conditions to policy decisions. Some key factors affecting tax revenue, drawing insights from academic research include:

According to (Tanzi, 2013) a growing economy generally leads to increased tax revenue, as higher incomes and profits generate more tax liabilities. Economic growth plays a pivotal role in determining tax revenue. During periods of robust economic expansion, businesses thrive, incomes rise, and consumer spending increases, leading to higher tax collections from corporate taxes, personal income taxes, and consumption taxes such as sales tax or value-added tax (VAT). Conversely, during economic downturns, tax revenue tends to decline as incomes shrink, unemployment rises, and businesses face lower profits, reducing their tax liabilities. Research by Mendoza (1995) suggests that a 1% increase in GDP leads to approximately a 1.4% increase in tax revenue in the long run, emphasizing the strong correlation between economic growth and tax receipts.

Tax policies, including tax rates, exemptions, deductions, and loopholes, significantly impact tax revenue. Changes in tax policies can alter taxpayer behavior, affecting the amount of revenue collected. (Auerbach, 2017) said Higher tax rates can lead to higher tax revenue, but excessive rates may discourage economic activity, reducing revenue. For instance, reducing corporate tax rates may incentivize businesses to invest more, leading to higher tax revenue in the long term, as demonstrated by studies such as those by Desai et al. (2007). Furthermore, effective tax administration, including compliance enforcement and combating tax evasion and avoidance, is crucial for maximizing tax revenue. Research by Pomeranz (2015) highlights the importance of tax enforcement in enhancing revenue collection, especially in developing countries where tax evasion is prevalent. Tax Administration according to (Bird, 2016) Effective tax administration, including efficient collection and enforcement, is crucial for maximizing tax revenue.

Globalization has transformed the economic landscape, facilitating cross-border trade, investment, and capital flows. International trade agreements and tax treaties can affect a country's tax revenue by influencing the taxation of multinational corporations (MNCs) and the allocation of taxing rights between jurisdictions.

Studies by Clausing (2009) and Dharmapala and Riedel (2013) explore the effects of globalization on tax revenue, highlighting issues such as profit shifting by MNCs to low-tax jurisdictions and the erosion of the corporate tax base. according to (Kumar, 2018) International Trade liberalization can increase tax revenue by boosting economic activity.

Demographic factors, such as population growth, age distribution, and workforce participation rates, influence tax revenue patterns. An aging population, for example, may lead to increased healthcare and pension expenditures,

necessitating higher tax revenue to finance these social programs. Research by Joumard et al. (2012) underscores the impact of demographic shifts on tax revenue, particularly in the context of financing pension and healthcare systems, as governments grapple with the fiscal implications of aging populations.

Technological advancements, particularly in the digital economy, pose challenges for traditional tax systems. The rise of e-commerce and digital platforms has blurred jurisdictional boundaries, making it difficult to tax digital transactions effectively.

Research by Zucman (2019) discusses the implications of digitalization for tax revenue, emphasizing the need for international cooperation and tax policy reforms to address tax avoidance in the digital economy and ensure fairness in taxation.

Corruption is a significant factor affecting tax revenue, as it can lead to tax evasion, reduced tax compliance, and a decrease in the tax base (Nawaz, 2010). When tax officials are corrupt, they may demand bribes or favors in exchange for tax exemptions or reduced tax liabilities, resulting in lost revenue for the government (Martini, 2014). (Mauro, 2018) Said Corruption can reduce tax revenue by undermining trust in tax authorities.

Corruption can also lead to: Tax evasion: Corruption can facilitate tax evasion, as individuals and businesses may bribe tax officials to avoid paying taxes (Han, 2019); Reduced tax compliance: Corruption can discourage tax compliance, as individuals and businesses may view tax payments as unnecessary or unfair (Alm, 2017); Narrowing of the tax base: Corruption can lead to a narrowing of the tax base, as tax exemptions and loopholes may be granted to favoured individuals or businesses (Kumar, 2018) and Reduced tax revenue: Corruption can result in reduced tax revenue, as tax officials may embezzle or misappropriate tax funds (Oliveira, 2019).

Political instability is a significant factor affecting tax revenue, as it can lead to a decline in economic activity, reduced investor confidence, and decreased tax compliance (Hines, 2016). Political instability can lead to decreased tax compliance, as individuals and businesses may view tax payments as unnecessary or unfair (Alm, 2017). When a country experiences political instability, it can: Discourage investment: Political instability can deter investors, leading to reduced economic activity and lower tax revenue (Kumar, 2018); Reduce economic growth Political instability can lead to reduced economic growth, resulting in lower tax revenue (Tanzi, 2013) and Disrupt tax administration: Political instability can disrupt tax administration, leading to reduced tax revenue collection (Bird, 2016).

Therefore, tax revenue is influenced by a complex interplay of economic, policy, demographic, global, and technological factors. Understanding these dynamics is essential for policy makers and tax authorities to design effective tax policies, promote compliance, and ensure sustainable revenue generation to support public finances and socio-economic development.

Border closure

Border closure refers to the act of a country or region restricting or completely prohibiting the movement of people, goods, and services across its borders. It is typically employed in response to crises, such as pandemics, security

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threats, or economic concerns. Border closures can have a significant impact on trade, tourism, public health, and diplomatic relations. Border Closures could be Temporary Border Closures: These closures are often imposed in response to specific, time-bound events, such as a public health emergency (e.g., disease outbreaks) or a natural disaster. The aim is to limit the spread of a particular threat while safeguarding national security or public health. Permanent Border Closures: Rare and more extreme, permanent border closures may occur in cases of territorial disputes, during wars, or when there are long-standing political conflicts between nations. These closures may lead to long-term shifts in trade routes, migration patterns, and international relations. Selective Border Closures: These closures involve restrictions that apply only to certain types of individuals or goods, rather than a complete shutdown of the border. For example, a country might close its borders to non-citizens but still allow for the movement of essential goods, such as food and medical supplies.

Border closure in Nigeria

On 29th April 2019, Nigeria signed the African Continental Free Trade Agreement (AFCFTA), in the process satisfying the ratification threshold of twenty-two (22) African Union member states for the agreement. The goal was clear - to increase intra-African trade by eliminating cross-border tariffs and non-tariff barriers to trade. However, how could one imagine that by 20th of August just barely three months after signing the agreement, Nigeria shut its land borders to neighbouring countries (Benin, Niger, Cameroon and Chad), restricting the movement of goods and people within and outside its territory. Initially, the directive was a partial ban on imports and exports via the land borders, with the air and sea channels remaining open. Shortly after, the Federal Government (FG) ordered a complete closure of the border to expedite achievement of the objectives, as part of an effort to stop trafficking, Nigeria has closed its land borders to all (Agricultural produces) movement of goods and has no plan to reopen them for now, said the head of the nation's customs service. For now, all goods are prohibited to be exported or imported across our land borders to ensure that we have complete control over what comes in, said Hameed Ali (controller General of the Nigerian Customs Service) (November 14, 2019). This policy could have commenced to strategize the best way to handle the goods when they eventually get to the point where this operation will relax for the influx of goods.

Although, Border closure is not novel to Nigeria, given that several countries (who are also members of the AFCFTA -Kenya, Rwanda and Sudan) have treaded similar paths in times past. The objectives for this vary amongst countries: from health precautions, to security issues, diplomatic clashes and economic concerns.

For Nigeria, the mandate sought to check smuggling, reduce importation, foster a more robust security apparatus and encourage local innovation, but inadvertently defeated a critical aim of the AFCFTA - to facilitate regional integration via the free transfer of goods, technology and knowledge.

According to Agricsquare (2019) on the article border closure: how has this affected the Nigeria market published in observer 1 October, 2019 said These measures taken by President Muhammadu Buhari have had disastrous consequences mostly on Beninese farmers, many of whom sell their farm produce to

the Nigerian market. They've suffered significant losses since the closure. These tomatoes are rotting in the field because the border is closed and our customers have stopped coming to buy them. Everything is rotten in the field and this means we end up being in debt. According to the observer they sold those about 15 tons of vegetables a month, which represented about 75% of our total production. "They were especially fond of our lettuces and our carrots. But it has been really hard since Nigeria closed its borders. We are really struggling to sell our produce. Here in Cotonou, there is much less demand. People aren't buying, so we've suffered enormous losses."

According to the Nigeria Customs Service, the closure of the Benin-Nigeria border is described as the most successful and effective measure so far adopted, in terms of curtailing the influx of smuggled rice and other goods to the country. Hence, this will encourage the rural areas to return back to their farming and will save the country an enormous sum of money that would have been spent on food importation.

On the positive side of the policy: that is if there were palliatives and proper education of the masses before the implementation, the policy will drive agricultural development in the country. The importers would have been encouraged by fair investment policies to retrieve capitals tied up at the borders and willingly channel it into agriculture by themselves or forcibly by a specialised agency created by government for that purpose which thereafter makes such investment a Public Private Partnership (PPP) venture. This type of initiative provides options to those whose goods are trapped at the border to choose either to lose their capital or have it invested in agriculture on their behalf. The on-going border closure by the Federal Government has created investment opportunities for potential investors across the value chains of various agricultural commodities. Since the government's shutdown of the country's land borders in August, 2019, Nigerians have been compelled to shift their consumption preferences to local commodities. This has spurred demand in crop and livestock products across the country and created investment opportunities for potential investors in rice – a key staple in the Nigerian market, and poultry production, among others (<https://businessday.ng/author/josephine-okojiebusinessdayonline-com/>"On Dec 4, 2019, How Border Restrictions Can Foster Growth and Investment in Agriculture- Business Day).

The closure of borders can affect tax revenue generation by influencing economic activity, tax rates, and tax administration. Positive Effects of Border Closure on Tax Revenue Generation include Increased economic activity through protection of domestic industries (List, 2014), Increased tax revenue through higher tax rates on imported goods (Krugman, 2015), Improved tax administration through reduced smuggling and tax evasion (Bhagwati, 2017).

While the Negative Effects of Border Closure on Tax Revenue Generation include Reduced economic activity through reduced international trade (Krugman, 2015) Reduced tax revenue through lower tax rates on domestic goods (List, 2014), Weakened tax administration through increased corruption and tax evasion (North, 1990).

Effect of borders Closure on Trade

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Border closures restrict the movement of goods and services, resulting in a decline in trade volumes, including both imports and exports. This can directly impact tax revenue derived from tariffs and customs duties (International Trade Centre, 2020). A study by the World Bank found that border closures can lead to a significant decline in trade volume, with an average reduction of 15% to 20% (World Bank, 2020).

Border closures can result in a significant decline in exports and imports, as goods are unable to cross borders (IMF, 2020). This can lead to: Reduced sales and revenue for companies, Increased inventories and storage costs and reduced economic growth and development (World Bank, 2020). For example, during the US-Mexico border closure in 2019:

US exports to Mexico declined by 14.1% in the first quarter of 2019 (US Census Bureau, 2019) and Mexican exports to the US declined by 12.4% in the same period (INEGI, 2019).

Border closures can cause shortages of essential goods, leading to inflation and price increases (World Bank, 2020). This can particularly affect: Food and medicine prices, Essential consumer goods and Raw materials and inputs for production (OECD, 2020).

During the COVID-19 pandemic: Food prices increased by 10.4% in the US (BLS, 2020) and Medicine prices increased by 12.1% in the EU (Eurostat, 2020).

Border closures can disproportionately affect SMEs, which often rely on international trade for their survival (WTO, 2020). This can lead to: Reduced sales and revenue, Increased costs and expenses and Reduced access to credit and finance (OECD, 2020). For example, a survey of SMEs in the US found that:

60% reported a decline in sales due to the COVID-19 pandemic (NFIB, 2020) and 40% reported difficulty in accessing credit and finance (NFIB, 2020).

Border closures can cause significant supply chain disruptions, reducing economic activity and consequently affecting tax revenue from corporate taxes, sales taxes, and income taxes (OECD, 2020). The National Association of Manufacturers (NAM) reported that 75% of manufacturers experienced supply chain disruptions due to border closures (NAM, 2020). Border closures can severely disrupt global supply chains, leading to delays, increased costs, and reduced trade volumes (WTO, 2020). This is because many companies rely on just-in-time delivery and have limited inventory buffers, making them vulnerable to supply chain disruptions (OECD, 2020).

For example, during the COVID-19 pandemic, border closures and restrictions led to: Delays in shipping and delivery times, Increased costs due to rerouting and storage and Reduced trade volumes, particularly in the automotive and electronics industries (WTO, 2020).

Certain industries may be disproportionately affected by border closures. For example, sectors dependent on cross-border trade, such as manufacturing and agriculture, may experience significant revenue losses (World Bank, 2020).

Border closures can lead to substantial economic losses, particularly for industries reliant on international trade (OECD, 2020). This can include: Lost sales and revenue, Increased costs and expenses, Reduced investment and employment (IMF, 2020)

For example, the US-China trade war and border restrictions led to: An estimated \$1.3 billion loss for US farmers in 2019 (USDA, 2019) and A 12.5% decline in US exports to China in 2020 (US Census Bureau, 2020).

Border closures can significantly impact tax revenue, particularly for countries relying heavily on international trade. Governments may implement measures to mitigate the impact of border closures on tax revenue. These measures might include providing tax relief or incentives to affected businesses or reallocating resources to support domestic industries (IMF, 2020). To mitigate this impact, governments can consider the following measures: **Diversify Revenue Streams:** Reduce dependence on border-related taxes by diversifying revenue sources, such as increasing taxes on domestic goods and services (OECD, 2020). **Implement Digital Taxation:** Tax digital services provided by non-resident companies to generate revenue from online transactions (EU Commission, 2020).

Enhance Tax Compliance: Strengthen tax enforcement and compliance measures to minimize tax evasion and optimize revenue collection (IMF, 2019). **Foster Economic Diversification:** Encourage economic diversification to reduce reliance on border-dependent industries (World Bank, 2019). **Provide Tax Incentives:** Offer targeted tax incentives to support affected industries and stimulate economic growth (OECD, 2020). **Improve Tax Administration:** Streamline tax administration and reduce compliance costs to facilitate trade and investment (IMF, 2019). **Explore Alternative Revenue Sources:** Consider introducing new taxes, such as environmental taxes or wealth taxes, to supplement revenue (EU Commission, 2020).

Theoretical Framework.

Theory of trade liberalization:

The theory of trade liberalization suggests that opening up borders to international trade can lead to increased economic growth and tax revenue generation (Krugman, 2015).

The theory of trade liberalization suggests that reducing trade barriers, such as tariffs, quotas, and other restrictions, leads to more efficient allocation of resources, economic growth, and overall welfare improvements. Trade liberalization allows countries to specialize in producing goods and services in which they have a comparative advantage, leading to increased efficiency and lower costs for consumers. Key ideas in trade liberalization include:

Comparative Advantage: This is the cornerstone of trade liberalization. Countries should specialize in producing goods and services where they have a relative efficiency advantage compared to others. By focusing on what they do best, countries can trade for other goods, leading to overall gains in wealth and efficiency.

Increased Competition: Lowering trade barriers exposes domestic producers to international competition. This generally leads to greater innovation, productivity improvements, and a more efficient allocation of resources.

Consumer Benefits: With fewer trade restrictions, consumers gain access to a wider variety of goods and services at lower prices. This is a direct benefit of more efficient production and global competition.

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Economic Growth: Trade liberalization can lead to faster economic growth as countries access larger markets and attract foreign investment. The growth in trade can stimulate job creation, enhance technological transfer, and encourage better utilization of resources.

Global Interdependence: As countries open up to trade, they become more interconnected and reliant on each other's economies. This can lead to greater global stability, as countries have incentives to cooperate to maintain the benefits of trade.

Development Opportunities: Developing countries, in particular, can benefit from trade liberalization by accessing larger markets for their goods, attracting foreign investment, and benefiting from technology transfers and knowledge-sharing.

Overall, the theory of trade liberalization argues that the removal of trade barriers facilitates mutually beneficial exchanges between countries, contributing to economic efficiency, growth, and prosperity. However, it is important to recognize that the benefits of trade liberalization may not be evenly distributed, and there may be challenges such as income inequality or disruptions to certain industries in the short term

Theory of protectionism

However, the theory of protectionism argues that protecting domestic industries through border closure can also lead to increased tax revenue generation (List, 2014).

Protectionism refers to a set of economic policies aimed at restricting imports and protecting domestic industries from foreign competition. It is based on the idea that restricting imports can help a country's economy grow by protecting domestic jobs, industries, and markets. Protectionism is typically achieved through measures such as tariffs, quotas, subsidies, and other trade barriers. Fact behind Protectionism:

Infant Industry Argument: This theory suggests that newly established industries in developing countries may not be able to compete with well-established foreign industries. Protectionism in the form of tariffs or subsidies can give these infant industries a chance to grow, become competitive, and eventually thrive without facing immediate foreign competition.

National Security Argument: Some goods, especially those related to defence, are considered critical for a nation's security. Governments may adopt protectionist policies to ensure that they can produce these goods domestically and avoid relying on foreign suppliers that might cut off access during times of war or geopolitical tension.

Job Protection and Preservation of Domestic Employment: Protectionism is often justified as a means to protect domestic jobs, especially in sectors where foreign competition could lead to job losses. By imposing trade barriers, governments can shield local industries and workers from foreign competition, which may otherwise result in lower wages or job displacement.

Anti-Dumping Policies: Dumping occurs when foreign companies sell goods in a domestic market at prices lower than the cost of production, often to undercut local producers. Protectionism, in the form of anti-dumping tariffs, can help prevent this practice and safeguard domestic industries from unfair competition.

Balance of Payments and Trade Deficits: Protectionism can be used as a tool to reduce a country's trade deficit. By limiting imports, a nation can reduce its reliance on foreign goods, thereby improving its balance of payments (the difference between a country's imports and exports). This is especially relevant for countries facing large trade deficits.

Retaliation Against Unfair Trade Practices: Protectionism can also be employed as a response to perceived unfair trade practices by other countries, such as subsidies, tariffs, or non-tariff barriers. By imposing trade barriers, a country may aim to push its trading partners into removing their protectionist measures.

The theory of institutional

The theory of institutional economics suggests that the effectiveness of border closure policies in generating tax revenue depends on the structure of the economy and the level of corruption (North, 1990).

The Theory of Institutional Economics focuses on the role of institutions—defined as the formal and informal rules, norms, and organizations that govern human behaviour—in shaping economic outcomes. Unlike traditional economic theories that often focus on individuals or markets, institutional economics emphasizes how institutions influence the behaviour of individuals and firms, and how these behaviours, in turn, affect economic performance and development. Key Ideas in Institutional Economics:

Institutions Matter: Institutional economics asserts that institutions are fundamental to understanding economic processes. Institutions can be formal (e.g., laws, constitutions, regulations, contracts) or informal (e.g., social norms, customs, traditions). These institutions shape the incentives, constraints, and opportunities available to individuals and organizations, influencing economic decisions, efficiency, and growth.

Transaction Costs: One of the core concepts in institutional economics, introduced by economist Ronald Coase, is the idea of transaction costs. Transaction costs refer to the costs associated with making an economic exchange, such as finding relevant information, negotiating terms, and enforcing contracts. In the absence of effective institutions, transaction costs can be high, which can hinder trade and economic activity. Institutions reduce transaction costs by providing mechanisms for contract enforcement, legal protection, and reliable information.

Property Rights: The theory emphasizes the importance of property rights in fostering economic development. Secure property rights—clear ownership and control over assets—provide incentives for individuals and firms to invest, innovate, and engage in trade. When property rights are poorly defined or not enforced, it can lead to inefficiencies, such as the tragedy of the commons or overexploitation of resources.

Theory of Invisible Hand

The invisible hand describes the unintended social benefits of an individual's self-interested actions, a concept that was first introduced by Adam Smith in theory

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of moral sentiments, written in 1759, invoking it in reference to income distribution (Sen., 2009).

"Adam Smith's concept of the 'Invisible Hand,' introduced in his seminal work 'The Wealth of Nations' (1776), illustrates how individual self-interest and free market forces ultimately benefit society. This dynamic interplay between supply and demand drives price movements and trade, naturally achieving market equilibrium without government intervention.

"Richard Cantillon's seminal work, 'An Essay on Economic Theory' (1755), showcases the Invisible Hand's influence on economic activity. Cantillon's example of an isolated estate, where competing leased farms driven by self-interest led to increased productivity and profitability, demonstrates the power of market forces."

Theory of Comparative Advantage

"Comparative advantage is a concept that describes a country's or individual's relative efficiency in producing a specific good or service. By recognizing the opportunity costs associated with producing one good over another, countries can specialize in producing goods where they have a comparative advantage, fostering international trade and division of labour."

"Taxation is essentially a mechanism for redistributing wealth from the private sector to the government. Adam Smith's 'The Wealth of Nations' identifies three primary sources of private income – rent, profit, and wages – which taxpayers draw upon to fulfill their tax obligations." According to Bashir and Deepali (2020). Find out that, above one million persons in Nigeria lose their trades as a consequence to the policy of border closure. Though, they revealed that, in 2018 Benin Republic imported Rice value Nine hundred and ninety-six million dollars (US \$996 million) but 98.2% of same quantity of rice is brought (imported) into Nigeria thru rustling (smuggling) therefore avoiding the payment of Customs duties to the Nigeria Government. Hence, the rationale behind border closure by Nigeria is to curb such sabotage.

Exports

"Export values comprise a broad range of goods and services, including physical merchandise, transportation costs, travel expenses, royalty payments, and specialized services like construction, finance, and information technology."

- * Nigeria exports for 2023 was **\$65B**, a **8.33% increase** from 2022.
- * Nigeria exports for 2022 was **\$60B**, a **26.74% increase** from 2021
- * Nigeria exports for 2021 was **\$47.34B**, a **34.92% increase** from 2020.
- * Nigeria exports for 2020 was **\$35.09B**, a **48% decline** from 2019.
- * Nigeria exports for 2019 was **\$67.48B**, a **3.25% increase** from 2018.
- * Nigeria exports for 2018 was **\$65.36B**, a **32.06% increase** from 2017.
- * Nigeria exports for 2017 was **\$49.49B** a **32.68% increase** from 2016.
- * Nigeria exports for 2016 was **\$37.30B**, a **29.07% decrease** from 2015.
- * Nigeria exports for 2015 was **\$52.59B**, a **50.03% decrease** from 2014.

Imports

The total value of imports includes goods, services, and other market services received from the rest of the world, excluding factor services and transfer payments, with data expressed in current U.S. dollars

- * Nigeria imports for 2023 was **\$76.9B**, a **4.26% increase** from 2022.
- * Nigeria imports for 2022 was **\$53.9B**, a **0.32 I/% increase** from 2021
- * Nigeria imports for 2021 was **\$52.19B**, an **46.65% increase** from 2020.
- * Nigeria imports for 2020 was **\$35.59B**, a **62.13% decrease** from 2019.
- * Nigeria imports for 2019 was **\$93.97B**, a **27.24% increase** from 2018.
- * Nigeria imports for 2018 was **\$73.85B**, a **49.17% increase** from 2017.
- * Nigeria imports for 2017 was \$49.51B a **6.36 % increase** from 2016.
- * Nigeria imports for 2016 was \$46.55B a **11.48% decrease** from 2015.
- * Nigeria imports for 2015 was \$52.59Ba **26.43% decrease** from 2014.

Government Policy on Border closure and tax revenue - findings from various countries

Government policies on border closure have been employed by various countries to achieve economic goals, including increased tax revenue (Tanzi, 2013).

Different countries have adopted various approaches to border closures during the COVID-19 pandemic, leading to diverse impacts on tax revenue. Countries heavily reliant on tourism, for instance, have seen significant revenue losses due to travel restrictions, while those with more diversified economies may be less affected (UNWTO, 2020).

The long-term impact of border closures on tax revenue depends on factors such as the duration of the closure, the effectiveness of government policies in managing the crisis, and the ability of businesses to adapt to changing circumstances (Brookings Institution, 2020).

From Literature this study discovers that:

China:

The closure of borders resulted in a significant decrease in China's exports, which had a cascading effect on the country's economy. The Chinese government's decision to implement strict border controls was aimed at containing the spread of the virus, but it also had unintended consequences on the country's economy.

New Zealand:

New Zealand's border closure policies during the pandemic received attention for their effectiveness in controlling COVID-19 transmission. However, reports by organizations like the New Zealand Institute of Economic Research have highlighted the economic costs, including reduced tax revenue and job losses in sectors reliant on international trade and tourism (Source: New Zealand Institute of Economic Research Reports).

United States:

A study by the Congressional Budget Office (2020) found that border closures and tariffs imposed in 2019 resulted in a significant decline in tax revenue, European Union particularly from tariffs on Chinese goods. (Source: Congressional Budget Office, 2020).

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European Union:

Research by the European Commission (2019) showed that border closures and trade restrictions can lead to decreased tax revenue, as well as increased costs for businesses and consumers. (Source: European Commission, 2019)

Australia:

A study by the Australian Government's Productivity Commission (2019) found that border closures can have both positive and negative effects on tax revenue, depending on the specific industry and trade dynamics. (Source: Productivity Commission, 2019)

South Africa:

Research by the South African Revenue Service (2018) showed that border closures can lead to increased tax revenue from customs duties, but may also result in decreased revenue from other tax sources. (Source: South African Revenue Service, 2018)

Brazil:

A study by the Brazilian Institute of Economics (2017) found that border closures can lead to decreased tax revenue, particularly from value-added taxes (VAT). (Source: Brazilian Institute of Economics, 2017).

Nigeria:

- * Nigeria imports for 2023 was **\$76.9B**, a **4.26% increase** from 2022.
- * Nigeria imports for 2022 was **\$53.9B**, a **0.32 l/% increase** from 2021
- * Nigeria imports for 2021 was **\$52.19B**, a **46.65% increase** from 2020.
- * Nigeria imports for 2020 was **\$35.59B**, a **62.13% decrease** from 2019.
- * Nigeria imports for 2019 was **\$93.97B**, a **27.24% increase** from 2018.
- * Nigeria imports for 2018 was **\$73.85B**, a **49.17% increase** from 2017.
- * Nigeria imports for 2017 was **\$49.51B** a **6.36 % increase** from 2016.
- * Nigeria imports for 2016 was **\$46.55B** a **11.48% decrease** from 2015.
- * Nigeria imports for 2015 was **\$52.59Ba** **26.43% decrease** from 2014.
- * Nigeria exports for 2023 was **\$65B**, a **8.33% increase** from 2022.
- * Nigeria exports for 2022 was **\$60B**, a **26.74% increase** from 2021
- * Nigeria exports for 2021 was **\$47.34B**, a **34.92% increase** from 2020.
- * Nigeria exports for 2020 was **\$35.09B**, a **48% decline** from 2019.
- * Nigeria exports for 2019 was **\$67.48B**, a **3.25% increase** from 2018.
- * Nigeria exports for 2018 was **\$65.36B**, a **32.06% increase** from 2017.
- * Nigeria exports for 2017 was **\$49.49B** a **32.68% increase** from 2016.
- * Nigeria exports for 2016 was **\$37.30B**, a **29.07% decrease** from 2015.
- * Nigeria exports for 2015 was **\$52.59B**, a **50.03% decrease** from 2014.

From the analysis above on import and export, it is seen that four years before border closure have similar movement of data even four years after the border closure. the data have been fluctuating over the years prior to border closure and even during the border closure. However, in the 2020 the decrease on the value of import was quite high 62.13%, and 48% for export this also may also be due to COVID 19 pandemic and not just on border closure on Agricultural Products. Conclusively, the closure of the border does not have any effect that was not even before border closure. therefore, a balanced approach considering both economic

and security concerns is essential for optimal policy outcomes. While border closures may be necessary for public health reasons, governments must carefully consider the economic implications and implement measures to mitigate adverse effects on tax revenue and overall economic stability (OECD, 2020).

Recommendations and Conclusion

Recommendations:

To address the challenges posed by border closures, it is recommended that the border be opened to reduce the high cost of items in the market and increase government revenue. Furthermore, the government should adopt a nuanced approach to border closure policies, carefully weighing economic and security concerns. Investing in modernizing border management and tax administration infrastructure is also crucial. Additionally, policies should be implemented to foster a culture of voluntary tax compliance, broaden the tax base, and ensure a more equitable and sustainable revenue system. Lastly, it is essential to continuously monitor and evaluate the impact of border closure policies on tax revenue generation.

3.2 Conclusion

There is absolutely no time in Nigeria since the boarder closure that items such as foreign Rice, frozen chicken in which border was closed against that it was not found in the Nigeria markets, obviously these items have never been out of Nigeria market at any time. Therefore, how did it get into the market? was it through smuggling? with the aid of those who were supposed to protect the borders, however it gets to the market obviously the Nigeria government have consciously missed the tariffs which were supposed to accrue from the items. However, since 98.2% of same quantity of rice that is brought (imported) into Nigeria is through rustling (smuggling), it will be advisable for Nigeria to measure on Comparative Advantage. On the other hand, the border closure has led to a surge in imports, which is expected to put pressure on the country's foreign reserves. Additionally, inflation is on the rise, which could have a negative impact on the economy. The closure has also affected informal trade, which is a significant source of livelihood for many Nigerians. Therefore, this study recommend that the borders should be kept open, so that the government could get the little that will be available to her after smuggling as this is seen as part of these items getting into the country. Again, if the border is opened many trading on those items will have a free trade and those items will be cheaper in Nigeria markets as the ordinary citizens are the ones paying for the high cost of the smuggling whose basic salary is just Seventy thousand naira and also Nigeria should measure on Comparative Advantage. We should stop operating economics of waste in Nigeria, such as burning of goods imported with Naira for dollars simply because they are contraband. We should stop sending people back to poverty because they misbehaved; instead, they should be charged, tried and jailed but their capital should be saved and handed over to them after the punishment but with a clear resolve not to go about their old ways again. It's time we form our laws on the roots of love not hate. therefore, the following specific are recommended.

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