Economic Development of ECOWAS Member States: The Impact of Intra-regional Trade

by

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[Note: Due to space limitations, some of the tables that accompany this article have been removed. The interested reader can contact the authors for the tables via <nadibv@hotmail.com> and <nadia.santos@unitelmais.cv>.

Abstract

This paper provides an assessment of the impact of intraregional trade on the economic development of the Economic Community of West African States (ECOWAS). The goal is to determine whether intraregional trade has a positive impact on the economies of member states. For this purpose, the analysis is based on data collected from the member states, focusing on economic information as well as official statistics produced by international institutions.

Introduction

The major research question probed in this paper is the following: Does intraregional trade have a positive impact on the economies of ECOWAS member states? Based on this question, the following hypothesis with its null is suggested for empirical testing: H₁: Intraregional trade has a positive impact on the economies of ECOWAS member states. H₀: Intraregional trade does not have a positive impact on the economies of ECOWAS member states.

The Federalist, Functionalist, and Neo-functionalist Theories of regional integration and qualitative research methodology with descriptive and explanatory case study designs (more on these later) are employed in this article and based on the analyses of consultancy reports, documentation, papers, institutional sites, and statistical reports. The rest of the paper is structured as follows: (a) theoretical framework, (b) research methodology and designs, (c) Africa’s regional integration: a brief historical perspective, (d) ECOWAS regional integration, (e) economic development in the ECOWAS countries, (f) some constraints to internal trade in ECOWAS, and (g) conclusion and recommendations.

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Theoretical Framework

Olamigoke Alade in his article titled ‘ECOWAS and the Challenges of Economic Integration in West Africa Sub-region’ (n.d.) states that different authors have attempted to define economic integration and there is a common point in their definitions which has to do with the concept of the removal of discriminations and economic barriers. For example, Kahnert et al. (1969) see it as the progressive removal of discrimination that could exist within the national borders. Pinder (1969) explains it to be the bringing together of different parts to form a whole and elimination of discrimination. Pelkmans (1984) describes it as the removal of economic frontiers among two or more economies. Machlup (1977) defines economic integration as the process of combining separate economies into a larger economic region. El-Agra (1988) defines it as the removal of all several of trade impediments among member nations and establishment of coronation between them. Goode (2003) sees economic integration as a term for groups of economies that could combine their activities easily among themselves. According to Balassa (1987), economic integration is both a process and a state of affairs. As a process, economic integration includes the set of economic and political measures that are designed to put an end to all forms of economic discriminations among the different national states. As a state affair, economic integration has to do with the ‘the removal of all the sorts of discrimination between national economies’.

Considering the definitions of economic integration provided by these authors, the phenomenon can be regarded as having to do with an attempt to bring together the economies of many countries under an agreement with the removal of economic barriers among them in order to enjoy their economic merits together and enhance rapid development in their various states.

Three theories of regional economic integration undergird this study. The first is the Federalist Theory which explains the establishment of a higher supranational body whereby the member states cede part of their sovereign power. The second is the Functionalist Theory which discusses a gradual process of integration that will later metamorphose into a political union. The third is the Neo-functionalist Theory which describes the possibility of regional integration through the establishment of specialized administrative institutions at the transnational level with the main aim of demonstrating the significance of regional integration to the participating states (Bangura and Lamin 2016).

Research Methodology and Designs

As stated earlier, qualitative research methodology and descriptive and explanatory case study designs are used to systematically ground this study. Integration is very complex process, and there is a paucity of data on trade between member states. A qualitative approach therefore allows us to compile and analyze available data from different national, regional and international institutions, and scientific works in order to have a good view on the subject matter. This explains why a majority of the data used for this study was collected from the official sites of various organizations on the Internet.

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In terms of qualitative research methodology, Patton (2005) states that it is an approach that helps a researcher to systematically analyze data from direct fieldwork observations, in-depth and open-ended interviews, and written documents. Qualitative researchers engage in naturalistic inquiry, studying real-world settings inductively to generate rich narrative descriptions and construct case studies. Also, according to Mouton, the methodology can assist a researcher to “plan, structure and execute” his/her research to maximize ‘validity of the findings’. It gives directions from the underline philosophical assumptions to research design, and data collection (Mouton 1996:175).

As it pertains to the descriptive and explanatory case study designs, Yin (2014) defines the former as a design that seeks to answer the “What is?” type questions and the latter as a design that seeks to answer the “Why?” or “How?” type questions. Thus, according to Bangura and Sinclair (2012), using a combination of qualitative research methodology and descriptive and explanatory case study designs strengthen a researcher’s ability to determine existing dependences and future areas of growth in interdependency.

Consequently, articles and books written by researchers, official documents (statistical data and reports) of the national institutions of the member states, the Economic Community of West African States (ECOWAS), the African Union (AU), the United Nations Economic Commission for Africa (UNECA), the World Bank, and the Organization for Economic Cooperation and Development (OECD) were used as key primary and secondary data sources. Thus, descriptive and explanatory methods were used to analyze these sources, augmented by an analysis of comparative trade statistics of the member states, to determine the impact of intraregional trade on the economic development of the ECOWAS member states.

Africa’s Regional Integration: A Brief Historical Perspective

The Organization of African Unity (now African Union as from 2001) was established on 25th of May 1963 to safeguard the sovereignty and territorial integrity of its member states and to promote global relations within the framework of the United Nations. The African Union (AU) is a continental union consisting of all 55 countries on the African continent. It was established on 26 May 2001 in Addis Ababa, Ethiopia, and launched on 9 July 2002 in South Africa, with the aim of replacing the Organization of African Unity (OAU). The most important decisions of the AU are made by the Assembly of the African Union, a semi-annual meeting of the heads of state and government of its member states. The AU’s Secretariat, the African Union Commission, has its seat in Addis Ababa, and the Pan-African Parliament has its seat in Johannesburg and Midland. The vision of the African Union is to establish ‘An integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in global arena’ (African Union Agenda 2063). From this perspective, regional integration in Africa consists of the idea that countries of regions should integrate in regional economic communities.
Africa’s Regional Economic Communities (RECs) include five sub-regional bodies according to the five geographic sub-regions of the continent: (1) the Arab Maghreb Union (AMU/UMA) in the north, (2) the Economic Community of West African States (ECOWAS) in the west, (3) the East African Community (EAC) in the east, (4) the Economic Community of Central African States (ECCAS) in the center, and (5) the Southern African Development Community (SADC) in the south. Africa’s RECs do not only constitute key building blocks for economic integration in Africa, but are also key actors working in collaboration with the AU in ensuring peace and stability in their regions (UN official site).

As the building blocks and implementing arms of the AU, the RECs have been central to various transformative programs of the continent, including the New Partnership for Africa’s Development (NEPAD) adopted in 2001 (UN official site). Beyond their role in peace and security, RECs have the immense challenge of working with governments, civil society and the AU Commission in raising the standard of living of the people of Africa and contributing towards the progress and development of the continent through economic growth and social development (UN official site).

**ECOWAS Regional Integration**

ECOWAS was established on 28 of May 1975 by the Treaty of Lagos. ECOWAS is a 15-member regional group with a mandate of promoting economic integration in all fields of activity of the constituting countries. The member countries of ECOWAS are Benin, Burkina Faso, Cabo Verde, Côte d’Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Sierra Leone, Senegal, and Togo.

Considered one of the pillars of the African Economic Community, ECOWAS was set up to foster the ideal of collective self-sufficiency for its member states. As a trading union, it is also meant to create a single, large trading bloc through economic cooperation (ECOWAS official site). Integrated economic activities as envisaged in the area that has a combined GDP of $734.8 billion, revolve around, but are not limited to, industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and finance (ECOWAS official site). Today, as the economies of African countries continue to witness steady growth, West Africa remains one of the strongest on the continent, growing by as much as 6.3% percent in 2013 and this largely due to the collective prosperity drive of ECOWAS financial issues, social as well as cultural matters (ECOWAS official site).

**Economic Development in the ECOWAS Countries**

Like most ‘integration groupings’ before it, ECOWAS was intended more as an instrument for the establishment of a free trade area than an organ of economic development per se. This position has now changed, and one of the significant invisible achievements of ECOWAS is the acceptance of member states in practice to make the community a vehicle for promoting and accelerating economic development.
An indication of this is the adoption by the community of a common development policy. Sub-regional cooperation programs and policies have been adopted in the spheres of physical infrastructure development, agricultural development, industrialization and monetary cooperation (Langhammer and Ulrich 1990).

ECOWAS was established as a regional economic community (REC) with the main objective of developing a single regional economic atmosphere in West Africa through integration and collective self-reliance. The organization was set up mainly for the achievement of economic goals of harmonization and coordination of national policies. However, there have been multiple political, economic and security challenges militating against the success of the organization since its establishment. This includes the high rate of poverty in the region and the effects of civil war, weak states, transnational insurgencies, terrorism, environmental degradation, drug trafficking, arms smuggling and trafficking, and political instability (Aladeniyi n.d.).

The poor infrastructure, transport, and communication systems linking ECOWAS countries are woefully inadequate in all the member countries and would probably slow the pace of cooperation and integration. Roads, rails and telecommunication systems were built to serve individual countries instead of linking the various countries. If a major industry is to be established, there is need for such infrastructures prior to its establishment (Langhammer and Ulrich 1990).

Economic Growth in 2016

As shown in Table 1, with a population estimated around 340 million consumers and GDP of USD 571 billion in 2016, targeting in particularly on three key sectors—(1) industry, (2) transport, and (3) telecommunications, ECOWAS is an important market in terms of defining the economic development strategy of the member states and their insertion into the regional and international economies. However, the positions of the different member economies in terms of GDP are quite heterogeneous (ECOWAS 2016). Four member states comprising Nigeria, Ghana, Ivory Coast, and Senegal accounted for 88.8% of ECOWAS GDP in 2016. The remaining 12 countries accounted for around 13.8% of this year. Nigeria represents more than 50% of all ECOWAS consumers, while Cape Verde accounts for only about 0.2% (ECOWAS 2016).
### Table 1: ECOWAS GDP and Population

<table>
<thead>
<tr>
<th>Nº</th>
<th>Member state</th>
<th>% in the ECOWAS GDP 2016 *</th>
<th>Population 2014 **</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nigeria</td>
<td>72,6</td>
<td>177.1557.60</td>
</tr>
<tr>
<td>2</td>
<td>Ghana</td>
<td>7,5</td>
<td>23.758.108</td>
</tr>
<tr>
<td>3</td>
<td>Ivory Coast</td>
<td>6,1</td>
<td>22.507.618</td>
</tr>
<tr>
<td>4</td>
<td>Senegal</td>
<td>2,6</td>
<td>13.635.927</td>
</tr>
<tr>
<td>5</td>
<td>Others without Cape Verde</td>
<td>10,9</td>
<td>------</td>
</tr>
<tr>
<td>6</td>
<td>Cape Verde</td>
<td>0,3</td>
<td>538.535</td>
</tr>
<tr>
<td>7</td>
<td>Total ECOWAS</td>
<td>571</td>
<td></td>
</tr>
</tbody>
</table>

*billions of US dollars; ** millions

Source: Self-generated by authors using ECOWAS data

**ECOWAS Exports and Imports**

According to several studies, trade is crucial to economic growth. In the ECOWAS context, trade is crucial also for food security and industrialization. West Africa has a huge potential for trade both in global and intra-regional terms as a result of its natural resource endowment, agriculture potential, and intra-regional complementarities (Torres and Seters 2016:1). Nonetheless, ECOWAS exports show little product diversity, with a heavy reliance on extractive products (e.g., petroleum, natural gas) and a few agricultural commodities (e.g., cocoa, rubber, cotton). Official food exports represent only 10% of total exports and almost 60% of this 10% is represented by cocoa (Torres and Seters 2016:2).

ECOWAS’ imports are more diversified with a high share of industrialized products (e.g., refined petroleum, vehicles, ships, telecommunications equipment) and food products (e.g., rice and wheat). Hence, ECOWAS’ main trade partners are highly industrialized countries such as China, India, the United States, the European Union countries and Brazil, which mainly buy raw materials from and sell industrialized products to the region. Nigeria accounts for 73.5% of total registered ECOWAS exports, primarily a result of its petroleum exports but also due to its larger economy. The country also represents 52% of ECOWAS’ imports as well as a food imports (51%). The second and the third largest economies of the region, i.e. Ghana and Côte d’Ivoire, are the main ECOWAS food exporters, largely due to cocoa, followed by Nigeria (Torres and Seters 2016:4).
Intraregional Trade

According to the official data, intraregional trade in ECOWAS represents 8-13% of total ECOWAS trade, but it is estimated that between 66% and 80% of intraregional staple food trade is not accounted for in official statistics, as it takes place on an informal basis (Torres and Seters 2016:17). Despite this, ECOWAS is the most integrated economic community in Africa in terms of interregional trade compared to the Arab Maghreb Union (3%), the Common Market of East Africa and COMESA (7%), CEMAC (5%), and SADC (8%) (http://theses.univ-lyon2.fr/documents/getpart.php). See Table 2 for details.

Table 2: Trade of African Regional Organizations

<table>
<thead>
<tr>
<th>Econ. Regional Organizations</th>
<th>% of Trade</th>
<th>Inter Regions</th>
<th>% of Import</th>
<th>% of Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECOWAS</td>
<td>12</td>
<td>EU</td>
<td>60</td>
<td>55</td>
</tr>
<tr>
<td>UMA</td>
<td>3</td>
<td>ALENA</td>
<td>40</td>
<td>55</td>
</tr>
<tr>
<td>EAC and COMESA</td>
<td>7</td>
<td>ASEAN</td>
<td>22</td>
<td>18</td>
</tr>
<tr>
<td>CEMAC</td>
<td>5</td>
<td>MERCOSUR</td>
<td>19</td>
<td>17</td>
</tr>
<tr>
<td>SADC</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Self-generated by authors from the various organizations’ data

Nonetheless, it should be noted that the level of intraregional trade for ECOWAS is too weak when compared to the other integrating economic regions, whose trade between the member states is quite impressive. In fact, imports and exports account for 60% and 55% respectively at the EU, 40% and 55% at ALENA, 22% and 18% at ASEAN, and 19% and 17% at the MERCOSUR (ECOWAS 2016). To change these figures and promote trade and regional development, the ECOWAS institutions are working on three main areas: (1) development of trade in goods and services through the development of adequate infrastructure, access roads (railways and railroads), energy and telecommunications, and promoting free movement of people and goods and also to implement an effective customs union; (2) developing and promoting the competitiveness of production (goods and services); and (3) promoting good governance and prevention and management conflict (ECOWAS 2016).
Main Partners and Products

The EU is the most important trade partner of ECOWAS representing 32% of total exports of the region in the period 2010-2014. It also represents 43% of ECOWAS’ agricultural exports and 48% of its food exports (ECOWAS 2016).

The EU is also the major countries from which ECOWAS imports. It covers 28% of ECOWAS, 23% of its agricultural imports, and 22% of food imports (ECOWAS 2016).

The Case of Cabo Verde as an Example

Cabo Verde's GDP growth increased from 0.8% in 2013 to 1.8% in 2014 and 3.6% in 2015, due to increased tourism revenues and increase of interests and maintenance of low energy prices. Tourism and foreign investment linked to tourism, including construction, remain the main engines of growth. Foreign direct investment increased by 13% in 2014. Real GDP growth was expected to be 3.6% in 2016 and 4% on average from 2016 to 2019. Recent public investment in basic infrastructures, low prices, and ongoing private investment, particularly in the tourism sector, is expected to boost domestic demand. The unemployment rate remains high, but is in decline, falling to 15.8% in 2015, 16.4% in 2014, and 16.8% in 2013, and this is increasing its importance in job creation. In the period 2013-2015, the tourism sector created, on average, around 36,100 jobs (Nshimyumuremyi and Simpasa 2016:2-3).

Currency exchange reserves increased significantly and by the end of 2014 they covered 5.5 months of imports of goods and services for the year. In 2015, imports of consumer goods increased 6.1%, building materials 7%, and intermediaries 11.65%, while merchandise exports decreased about 28% in the first quarter of 2015, mainly due to the drop in fish exports. In 2014, agriculture accounted for 9.4% of GDP, mining 0.4, manufacturing 6.6%, wholesale and retail trade and repair of vehicles and consumer goods 18.8%, transportation storage and communications 17.6%, financing, real estate and business services 18.2%, and public administration and defense 16.4%. Tourism is the most important driver of the economy and also of poverty reduction. Tourism contributed for about 21% of GDP in 2014 against 19.2% in 2011 and 20.1% in 2013 (Nshimyumuremyi and Simpasa 2016:3).

The EU is the major trade partner of Cabo Verde, representing 85.7%, 85.2%, and 95.6% of total exports and 71.7%, 71.4%, and 73% of total imports of Cabo Verde, respectively in 2013, 2014, and 2015. ECOWAS is represented in the same period respectively by only 0.34%, 0.31%, and 0.17% of exports and 1.35, 3.8% and 2.8% of total imports of Cabo Verde (DGA and INE in BCV official site).
Some Constraints to the Intraregional Trade in ECOWAS

ECOWAS has developed trade policy frameworks with the objective of increasing trade integration among its member states, namely the ECOWAS Trade Liberalization Scheme (ETLS) and the Common External Tariff (CET) (Torres and Seters 2016:33). The ECOWAS Trade Liberalization Scheme (ETLS) is the main ECOWAS operational tool for promoting the West African region as a Free Trade Area (i.e. without customs duties and charges having equivalent effect) since 1979. Later, in 1990, it was agreed that industrial products originating in the community could also be approved to take part in the scheme (Torres and Seters 2016:33).

The Common External Tariff (CET) was launched in January of 2015 after ten years of negotiations. The ECOWAS CET is largely based on, and replaces, the UEMOA CET. It is organized into five different tariff bands of 0%, 5%, 10%, 20%, and 35% (Torres and Seters 2016:33). However, there is slow progress on the actual implementation of these regional commitments at national levels. The ETLS is poorly respected by ECOWAS member states and the implementation of the CET is also patchy so far. This implies that, despite longstanding and strong commitments to ‘the removal of obstacles to the free movement of persons, goods, service and capital’, as worded in the ECOWAS Treaty, there are still many barriers to trade (Torres and Seters 2016:33).

This situation can be explained by a variety of factors. Some ECOWAS member states lack the capacity to implement regional commitments, which require strong administrative structures. A lack of knowledge on regional customs and trade provisions has also been identified as an issue. Officials are not always aware of their obligations, while private sector operators are not always informed about their rights. The latter seem to particularly apply to women engaged in cross-border trade, many of who are illiterate and not knowledgeable about trade regulations (Yusuff 2014). Furthermore, no monitoring mechanism on trade policies exists in ECOWAS, nor an active dispute and binding sanctions mechanism. The absence of real political commitment to the regional integration process can also be brought forward (Torres and Seters 2016:33-34).

The Case of ECOWAS’ Regional Policies for Infrastructure

The ECOWAS infrastructure development agenda is guided by Goal Number 2 of the ECOWAS Regional Strategic Plan on Infrastructure. Investments have been cranked up in recent years, especially on the main international corridors and main trunk roads. Despite the recent increase in infrastructure investment, many regional infrastructure projects take a very long time between planning and completion. Waterways are not well developed for transport and rail has fallen in disuse apart from the Dakar-Mali and Abidjan-Ouagadougou routes. Engel and Jouanjean (2015) find that cross-border infrastructure in the ECOWAS region involves significant coordination and cooperation issues, and often involves serious political economy issues (Torres and Seters 2016:40).
Conclusion and Recommendations

ECOWAS was primarily established to foster economic integration in order to ensure the economic growth of its member states. But the nature of international conflict and political upheavals within the member states would not allow the organization to succeed. There are still many obstacles to be removed.

Many studies, reports, and primary data on ECOWAS trade show that the internal trade has a real positive impact on the general development of the member states. It is also proved that in the economies of the other African regions, intraregional trade is higher and the member states have more chances to develop their economies. However, in the case of ECOWAS, the evidence shows that this is also the case, albeit it does not apply all the time and to all member countries. It is therefore logical that the alternative hypothesis tested in this study be partially accepted—i.e. $H_1$: Intraregional trade has a positive impact on the economies of ECOWAS member states. The null hypothesis must thus be rejected—i.e. $H_0$: Intraregional trade does not have a positive impact on the economies of ECOWAS member states.

Indeed, barriers regarding infrastructures, transport, energy, communication and many others represent serious obstacles to the increase of internal trade in the West African region. We therefore recommend that the lack of effective policy coordination among countries in the region must be seriously addressed and changed. Individual states are known to have their own road transport policies and their own rules and regulations. Thus, we call for the urgent implementation of policies that will be targeted at the maintenance and expansion of ECOWAS’ corridors of trade and also cooperation among member states.

Checkpoints at border posts vary from one country to the next and this clearly points to the lack of a well-structured regional policy and implementing body. Thus, we suggest that there is a need to harmonize these policies so that the member states can speak with one voice in terms of infrastructure.

Countries also need to re-affirm their commitments in working with ECOWAS to accomplish development goals as some countries do lag behind when it comes to compliance and this can be a hindrance to major and lucrative projects in the region. There also are several institutions in place to handle the issue of promoting infrastructure in the region and in particular road infrastructure. There, however, seems to be a lack of proper coordination among these institutions and, thus, we point out that there is a need to establish a proper system so that the member states can collaborate to ensure that ECOWAS’ projects are successful and reach completion.

Finally, we suggest that the institutions charged to implement, monitor and evaluate projects need to be capacitated to ensure that these activities are done appropriately and in a timely manner. Evidence leads us to conclude that the level of internal trade positively impacts the development of member states. However, it becomes imperative to reduce barriers to intraregional trade in order to promote the economic development in the ECOWAS member states.
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