THE IMPACT OF REGIONAL INTEGRATION IN THE ECONOMIC

COMMUNITY OF WEST AFRICAN STATES (ECOWAS), 2003 – 2010

By

Michael P. N. Kwabo

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Abstract

Economic cooperation has long been viewed as key to growth, evidenced by the scores of trade agreements currently in place. There are mixed results on the actual efficacy of these agreements, particularly for small and developing countries such as those within the ECOWAS. This paper considers the body of literature on the growth impact of cooperation through regional trade agreements, assesses two such agreements, and provides an empirical analysis of how trade within the framework of the ECOWAS Trade Liberalization Scheme has affected growth in participating economies. Using an OLS model, the study finds no growth impact, which largely has to do with limited complementarity in trade flows and the existence of non-tariff barriers resulting mostly from disharmony in regulatory measures. As the ECOWAS continues to push for deeper integration, with the establishment of the Common External Tariff (CET) regime, the paper assesses that harmonization of regulations and increased access to information, common and coherent macroeconomic and structural policies, joint provision of public goods, and tapping into the growing potential of the service sector are key in order to realize and sustain any meaningful impact.

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Table of Contents

List of Abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
AFTA	ASEAN Free Trade Agreement
ASEAN	Association of Southeast Asian Nations
CEPR	Center for Economic Policy Research
ECDPM	European Center for Development Policy Management
ECOWAS	Economic Community of West African States
ETLS	ECOWAS Trade Liberalization Scheme
EU	European Union
GATT	General Agreement on Trade and Tariffs
IMF	International Monetary Fund
FTA	Free Trade Area
NAFTA	North American Free Trade Agreement
NTB	Non-Tariff Barrier
PTA	Preferential Trade Agreement
RTA	Regional Trade Agreement
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNCTAD	United Nations Conference on Trade and Development
WB	World Bank
WDI	World Development Indicators, World Bank
WTO	World Trade Organization

1.0 Introduction

The Economic Community of West African States ("ECOWAS", "the Community") is a 15-member regional body established in 1975 to promote economic integration among member states. The original Treaty of Lagos was revised in 1993 with key objective to "promote co-operation and integration, leading to the establishment of an economic union in West Africa in order to raise the living standards of its peoples, and to maintain and enhance economic stability, foster relations-among Member States and contribute to the progress and development of the African Continent (ECOWAS Revised Treaty)."

To facilitate this objective, the ECOWAS Trade Liberalization Scheme (ETLS) was launched in 1979 to facilitate the free movement of goods produced within ECOWAS member states, including the removal of all tariff and non-tariff barriers to trade. Originally envisaged to cover agricultural, artisanal, handicraft and other such unprocessed products, the ETLS was further expanded in 1990 to include industrial products. The goal was that in the longer term, the Community would progress from a free trade area to a full customs union and eventually a common market to facilitate trade within the region.

However, it has been nearly forty years since the ETLS was established but trade volumes between ECOWAS member states have not necessarily increased to the level where a customs union or common market is the next timely and logical step. It is worth noting that the region has been faced with decades of armed civil conflict which no doubt contributed to this slow-paced development of intra-Community trade relations, but there are other key factors which have featured more prominently in this lag. This study discusses the issues which have hampered trade development within the ECOWAS and sets forth policy recommendations to improve trade flows in the Community. In so doing, the study considers

1

theories on trade and economic integration, also taking a bird's eye view of some notably successful integration initiatives – particularly the EU and ASEAN. More importantly, this paper analyzes the share and intensity of trade between ECOWAS member states and compare that with growth over time in the Community to see whether such trade flows have impacted growth one way or the other.

1.1 Statement of the Problem

Many ECOWAS countries have over time engaged in some trade with other member states, but most of these countries maintain more significant trade ties with other countries outside the Community. The ECOWAS reports that about 28% of its exports go to the Europe (23% to the EU), with 40% going to the Americas (34% to the NAFTA area). It is important to note that ECOWAS, like many other African countries, exports mainly agricultural and other primary materials, while its imports take the form of finished goods (Kuwonu, 2015). At the 10th African Economic Conference in Kinshasa in 2015, African experts concluded that "African countries [would have] to reduce their excessive dependency on raw material exports and imported consumer goods, as the only viable way to reduce poverty and social inequality on the continent" (AfDB, 2015). This is because raw material exports have no added value and are hence sold for far less in comparison to the consumer products which are in turn imported. This increases dependence on imported goods, largely leading to negative current trade accounts. Meanwhile, these countries miss out on opportunities for creating jobs through manufacturing as well as innovation possibilities.

Regarding the ETLS, its implementation in itself has not exactly run smoothly. A joint gap analysis conducted by the ECOWAS Commission and the USAID West Africa Trade Hub in 2011 found that in moving goods across borders in the region, traders still encounter

2

tariff and non-tariff barriers (e.g. quantity, quota and seasonal restrictions) that increase the cost of doing business. This problem is exacerbated by the fact that many local traders do not have adequate information to enable them fully take advantage of the benefits of the ETLS. This information asymmetry leads to delays, fees and other forms of informal payments at border crossings. These, as well as other problems relating to harmonization of rules and standards across the ECOWAS need to be fully addressed if the region is to meaningfully reap the benefits anticipated under the ETLS and develop itself into a full-fledged customs union.

1.2 Objective of the Study

The objectives guiding the research are as follows: (a) to study trade flows between member states of the ECOWAS so as to determine the share of intra-regional trade over total trade and how it has impacted economic growth over time; (b) to determine intra-regional trade intensity within the ECOWAS in order to show the region's bias for trading within itself; and (c) to identify key challenges and opportunities in the implementation of the ETLS, with the view to provide policy recommendations to address same as a means of improving the volume and quality of trade among member states.

1.3 Significance of the Study

This research is important in understanding how improved intra-regional trade is likely to enhance growth within the ECOWAS. In so doing, the study considers the level of trade activity going on among member states and examines the impact of traded goods on the respective national economies; this could enhance targeted policy-making regarding areas determined to be economically strategic. The study also considers incentives which could lead

3

to higher trade intensity and set the framework for the development of a customs union or common market.

1.4 Research Questions

The overarching question which this study seeks to answer is "Does increased trade within the ECOWAS region improve growth?" In answering this question, we consider intra-regional trade on GDP growth, using population and GDP as confounders.

1.5 Limitations of the Study

The key limitation is access to information on the ECOWAS and its trade data, given that the researcher is based abroad. There are limited online resources available and it is difficult to get in touch with the ECOWAS office responsible for matters considered in this study. Otherwise, the study is constrained by time and thus considers a limited time period in the analysis.

1.6 Organization of the Study

The study is organized into four chapters: Introduction, Literature Review, Research Analysis, and Conclusion and Recommendation. The Introduction makes the case for the study following which we consider theories and case studies on international trade and economic integration. In the Research Analysis section, we discuss the methodology employed along with key findings, based on which the conclusion and provide policy recommendations are presented in the final chapter.

2.0 Literature Review

    2.1 Globalization and Trade Liberalization

Globalization as a concept dates back to several centuries in human history. As Yale University puts it, "globalization is an historical process that began with the first movement of people out of Africa into other parts of the world." Since then, goods and people have moved far and wide right along with ideas and customary practices. As a result, the world has long been seeing a cultural and economic fusion, which became only more enhanced with technological progress. At the end of the second world war, trade liberalization became popular as many countries saw it as a key catalyst in stimulating their economies. With reduced regulation in trade, it was thought that costs (production and administrative) would decrease while competition increased, ultimately resulting in lower costs for the consumer. Several papers have hailed the effect of globalization on growth and advancement, with the IMF in a 2001 paper noting that "integration into the world economy has proven a powerful means for countries to promote economic growth, development, and poverty reduction." The institution asserted in that paper that no country had in recent decades succeeded economically without being open to the rest of the world.

Dollar (1992) observed that outward orientation had a high degree of correlation with growth in GDP per capita after studying a sizable sample of 95 developing countries. Sachs and Warner (1995) found a strong association between openness and growth and observed that there was not a case wherein a country opened and failed to grow. This was later affirmed in a new study by Wacziarg and Welch (2003) who found that countries which opened up economically grew by 1.5 percentage points higher post-liberalization than before. In addition, they found that investment rates increased by up to 2 percentage points post-liberalization. In addition, after assessing growth pre- and post-liberalization, Aksoy and

Salinas (2006) also noted that post-liberalization, there was an uptick in investment and the export of both goods and services, including manufacturing exports. Frankel and Romer (1999) found a large positive effect of trade on income, and that sharing a border had considerable impact on trade.

However, there are some which have challenged the proponents on the methodology of their studies. Richardson (1989) argued that welfare losses from liberalization, though possible to derive in theory, were only occasionally calculated in many studies. He also noted that the adjustment pressures brought upon by liberalization were found to be higher than implied in some studies. After reviewing a number of studies hailing liberalization, including Sachs and Warner (1995), Rodriguez and Rodrik (1999) found little evidence that liberal trade policies were associated with growth. They submitted that it is still a very open question as to the relationship between trade and growth. Meanwhile, Winters (2004) observed that liberalization induces an only temporary growth but added that such growth could be long-lived depending on other factors such as institutions and investment.

Yet, there is another school of scholars who do not necessarily oppose liberalization but have rather criticized its implementation around the world, arguing that it has in reality benefitted a few while leaving many behind. Joseph E. Stiglitz in the 2005 book Globalization: What's New? argued that globalization was oversold. He stated that globalization failed to achieve its intended objectives and that this was largely in part due to the influence of the IMF and the United States, who according to him protected "special interests". He argued that countries which had development strategies based on globalization, but which did not strictly adhere to the rules of the IMF were more successful than those which followed the IMF's Washington Consensus. In Stiglitz's words, IMF adherents

"performed worse". Jeffery Sachs has also been critical of the present form of liberalization in many respects. In fact, he begins his article Sustainable development: a new kind of globalization in the Boston Globe by stating that "the current version [of liberalization], once called the Washington Consensus, has delivered economic growth but at enormous cost: rising inequalities of income, massive environmental destruction, and growing lawlessness (Sachs, 2016)."

However, Jagdish Bhagwati (2004) has been skeptic of much of the argument against globalization. He counterargued that the perils of liberalization have been exaggerated due to what he terms as "the fallacies of aggregation". He weighed in noting that several good aspects of liberalization are overlooked while much of the criticism is hinged on a few places where globalization in itself might have gone wrong such as the hasty freeing of financial flows that was partly responsible for the East Asian crisis in the 1990s. He further contended that rather than single out these problematic aspects which need to be worked on, critics are fond of generally laying the blame at the feet of globalization, ignoring the positives. A staunch supporter of free trade, Bhagwati even went on to term as "rubbish" claims that globalization is riddled by hypocrisy, double standards and unfair terms of trade by international institutions and richer countries for the benefit of those rich countries.

It is clear that economic thought is divided on the impact of liberalization and how it has been implemented. Notwithstanding, even as the debate went on, many countries began to form unions, the majority of which were in close geographic proximity to each other, with a view towards economic integration. Over the past decades, there have been the proliferation of several free trade agreements including the North American Free Trade Agreement (NAFTA), ASEAN Free Trade Area, Common Market for Eastern and Southern Africa

(COMESA) and highly outstanding, the European Union (EU). According to Mattoo and Ruta (2018), regional trade agreements have grown such that in 2017 there were 280 trade agreements compared to 50 in 1990.

2.2 Preferential Trade Agreements

Preferential Trade Agreements (PTAs) are described by Snorasson (2012) as a liberalized trade agreement between a smaller subset of nations which generally results in lower tariffs for goods coming from member states in comparison to tariffs imposed on goods emanating from non-member states. Per Snorasson (2012), a form of PTA is a Free Trade Area (FTA), such as the ETLS currently being implemented by ECOWAS. Conceptually, in an FTA all tariff and non-tariff barriers to imports originating from member states are removed. The key advantage of PTAs among countries which are within a common geographical territory is that it increases welfare and tends to be more trade creating than trade diverting since members states increase trade with each other while lowering trade with non-members (Snorasson, 2012). Bhagwati (1993) however refutes this noting that the improvement of welfare from a geographic (or regional) FTA depends not only on the share of trade among member states and the expenditure on goods within the area but also, and very importantly, on the degree of substitution between member goods and non-member goods.

In the case of the ETLS, the share of trade among member states remain very low with maximum 12% in the years 2003 through 2010. Also, the degree of substitutability between foreign and domestic goods is very low given the nature of exports (primary goods) and imports (finished goods). Thus, it can easily be said that the current FTA arrangement is not fully fulfilling its objectives and bringing about some of the expected benefits. Take for example that one of the benefits of an FTA is increased production based on economies of

8

scale from a larger market (Snorasson, 2012); only Nigeria, Senegal, Ghana and Cote d'Ivoire appear to have reaped this benefit, having wide access to the internal market.

Meanwhile, DiCaprio et al (2017) in a study for UNCTAD posit that regional trade agreements (RTAs) are key drivers of international trade and that they strengthen ties between member states. Their results show that regional integration overall leads to increase in the growth of GDP per capita through bilateral and third-party channels, with a lowering of inequality within countries. Regional trade agreements have also in recent times been heralded as a vehicle to increased multilateral trade. The OECD notes that "countries wishing to participate in, and benefit even more from, global markets will need to increasingly integrate trade and investment measures in their wider domestic structural reform agendas."

There have also been studies examining the impact of PTAs on overall trade, especially in the context of the Vinerian model which assesses whether PTAs are trade creating or trade diverting. Per Bhagwati (1992), trade-diverting is "taking trade away from efficient outside suppliers and giving it to inefficient member countries" while or trade-creating is "generating trade from one more-efficient member at the expense of another less-efficient member." Mattoo et al (2017) found that shallow trade agreements, which grant tariff concessions to members but leave tariffs on non-members unrestrained, can be trade-creating among members but trade-diverting outside the PTA. On the other hand, they note that deep agreements, which could include common external tariff frameworks and could go beyond tariffs to address other issues like competition policy, can be more trade creating.

2.3 Regional Integration around the World

The paper assess the European Union and the ASEAN based on progress that have been achieved since formation and further examines the likelihood of continuance by members within the framework.

2.3.1 Case of the European Union

The European Union is an economic and political union of 28 countries, created post-World War II with the primary goal of fostering economic cooperation. Known as the European Coal and Steel Community (ECSC) at its founding circa the 1950s, the organization began with 6 members and has since expanded both in membership and focal areas of cooperation. The EU is relevant for this study as it is one of the pioneers of regional integration and has been one of the most successful to date. Per the European Commission, the EU is the world's largest economy with GDP per capita of €25,000 with a large market of over 500 million consumers. Key highlights of progress made by the EU include the creation of a single market, introduction of a common currency which has been adopted by over two-thirds of member states, and graduation from an economic union to a political union.

As the world's largest trading bloc, the European Commission notes that the EU is the top trading partner for 80 countries which compares more favorably to the US which has a little over 20 countries for which it is the top trading partner. Further evidence of the EU being trade-creating as opposed to trade-diverting is that average applied tariff for goods coming into the EU is very low with over 70% of imports entering the EU at zero or reduced tariffs (EU Commission, 2019). The Commission reports that the EU is the most open economy to developing countries, leading the US, Canada, Japan and China combined in terms of imports from developing countries. Relevant to the study, it is important to note that

the EU has an Economic Partnership Agreement (EPA) with ECOWAS members which was concluded in February 2014. Under the EPA, the EU completely opened its single market up to ECOWAS members from the get-go, while ECOWAS members were allowed a 20-year transition period during which they would partially remove import tariffs. Per the European Commission, the EU under the EPA offers market access that is significantly better than its Generalized Scheme of Preferences (GSP).

It is interesting to note that previous studies measuring the impact of economic integration on growth within the EU found that the effects were overall small and largely temporary. Running a simulation based on the Cobb-Douglass model with the view to estimate both static and dynamic effects of growth within the EU, Badinger (2001) failed to find permanent growth effects but observed some temporary effects. The results of his study concluded that EU GDP per capita would have been smaller by one-fifth had integration not taken place. Of note though, two-thirds of this growth is explained by liberalization within the framework of the GATT. In their paper titled 'EU Expansion and EU Growth', Deardorff and Stern (2002) found weak evidence supporting increased long-run growth rates for EU countries as a result of integration. They however observed that growth was asymmetrical and temporary, such that larger countries first accrued the most benefits, followed by smaller countries which integrated early.

New studies however highlight the indispensability of economic integration via the EU, with Campos et al (2014) noting strong positive effects from EU membership in spite of heterogeneity among members. Using the synthetic counterfactuals method, they found that GDP per capita of EU countries would have been approximately 12% lower on average had there not been deep economic and political integration. This compares to Boltho and

11

Eichengreen (2008) who found that without integration, the incomes of EU members would have been 5% lower. In a paper for the CEPR, Comerford and Mora (2019) note that economic integration within the EU is now so deep and beneficial such that if the union were to fail, there would be an overall 1.7% decrease in GDP for member states. This implication is even more material for small European countries where the loss could go up to 5%. This is backed up by the growing uncertainty around the shape of the UK's economy post-Brexit, which has already resulted in slower growth.

2.3.2   Case of the ASEAN

The Association of Southeast Asian Nations ("ASEAN", "the Association") was founded in 1967 by five countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand) to further "cooperation in the economic, social, cultural, technical, educational and other fields, and in the promotion of regional peace and stability through abiding respect for justice and the rule of law and adherence to the principles of the United Nations Charter" (ASEAN, 2018). Since then, five other countries (Brunei Darussalam, Cambodia, Laos, Myanmar, and Vietnam) have joined the Association and the region has continued to grow with Moody's Analytics projecting a 4.8% and 4.5% growth in 2019 and 2020, respectively. The importance of ASEAN to ECOWAS efforts is that its member states are also from the developing world, and there are striking similarities between the two regional groups characterized by high degree of diversity and asymmetry among member states.

Hill and Menon (2010) note that many countries in the region have been experiencing rapid economic growth over the last 25 years leading unto 2010, which to a large extent harmonized and improved the overall business environment. Per PWC (2018), the bloc

"successfully weathered both the Asian financial crisis of 1997 and the global economic crisis of 2008-09, to make it the sixth-largest economy globally at present."

ASEAN has significantly reduced tariffs on goods traded within the bloc. Operating under the framework of the ASEAN Free Trade Agreement (AFTA), the Association notes that there is now freer flow of skilled labor and services in addition to the freer flow of investment, pursuant to the ASEAN Comprehensive Investment Agreement which seeks to liberalize investment and forge regional financial integration. In addition, the Association notes that there has been improvement in harmonizing standards – cosmetics, electrical and electronic equipment, medical device, etc. – which as Trachtman (2003) observed is a key ingredient in fostering economic integration. Rather than being protectionist and hence trade-diverting in the context of the Vinerian model, the region has embraced multilateralism with the signing of five FTAs and comprehensive economic partnership agreements (CEPAs), with Australia and New Zealand acting together, and with China, India, Japan and Republic of Korea bilaterally. This comports with the OECD's assessment, discussed above, that regional integration could be an effective mechanism towards increased multilateral trade.

Despite this progress, Hill and Menon (2010) call out the Association for not doing much given the considerable amount of time that the Association has been in place. They argue that there still remains substantial room for deep integration like the EU which features convergence on competition policy, free labor mobility, the implementation of a monetary union and some progress on fiscal policy. They note that the majority of what has been accomplished are largely the result of what the AFTA "has indirectly induced rather than mandated." They assess that ASEAN members are cognizant of the fact that most of their trade takes place out of the region and as such have been individually reducing their external

tariffs while at the same time reducing intra-regional trade barriers as a bloc. Further, intra-ASEAN concessions are non-discriminatorily offered to key non-member trading partners, thus eliminating trade diversion. With this view, ASEAN members have arguably used regional integration more as a means to the end of multilateralism. Further to the above, it is also worth noting Kutlantzick's (2012) point that there exist stark disparities between original and new members within the body. For example, Singapore's GDP per capita at PPP in 2017 was US$57,714, compared to Myanmar's US$1,299 and Laos' US$2,457 over the same period. A PWC report in 2018 revealed that 60% of regional GDP is accounted for by three countries, including Indonesia, Thailand and the Philippines, further reflecting high degree of concentration and similar to the case of the ECOWAS discussed later in this paper.

Notwithstanding the aforementioned criticism, the Association continues to tout its strong growth metrics. Per Statista (2018), the combined GDP of ASEAN countries in 2018 grew to a ten-year high of US$2.9Tn. PWC (2018) also notes that the Association has been able to bring many of its citizens into the wealthier middle class who are now driving consumption domestically. The company reports that ASEAN represents the third largest working force globally, after China and India, as the bloc was able to bring an estimated 100 million people into the labor force over the last 20 years, with an estimated 59 million expected to join by 2030. Taking these together with solid growth prospects for lagging members, the ASEAN feels emboldened as it embraces the ASEAN Economic Community (AEC) launched in 2015 to lay a blueprint for a highly integrated and cohesive economy by 2025. The AEC 2025 envisages full financial integration, inclusion and stability, enhanced participation in Global Value Chains (GVCs), good regulatory practice and sustainable development among others. PWC (2018) notes that the bloc has made some progress toward its goals, and expects 99 percent reduction in intra-ASEAN tariff lines in the near-term.

2.4 The State of ECOWAS Regional Integration

ECOWAS was established in 1975 for the purpose of promoting economic integration among member states. The body comprises 15 members which share cultural and geopolitical ties, and have a common vision for stronger economic growth and development through integration. Member states include Benin, Burkina Faso, Cape Verde, Cote d' Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia (excluded from this study due to unavailability of data), Mali, Niger, Nigeria, Sierra Leone, Senegal and Togo.

2.4.1   Analysis of the ETLS

Four years after the ECOWAS was founded, the ETLS was established in 1979 to facilitate ease in the movement of only agricultural, artisanal handicrafts and unprocessed products. Later in 1990, industrial products were included under the scheme as a step closer towards more intense economic integration. In order for products to qualify under the scheme, they must be certified as "originating products" by the ECOWAS Commission. The ETLS defines originating products as follows: (a) wholly produced goods – goods whose raw materials completely originate from the region; (b) goods which are not wholly produced but their production requires the exclusive use of materials which are to be classified under a different tariff sub-heading from that of the product; and (c) goods which are not wholly produced but their production requires the use of materials which have received a value added of at least 30% of the ex-factory price of the finished goods.

While the ECOWAS has largely reduced tariffs per UNCTAD (2018), and facilitated ease in the movement of people through visa-free travel within the bloc (ECOWAS-USAID gap analysis, 2011), there remain significant non-tariff barriers (NTBs) which UNCTAD (2018) notes increase product prices by almost 50% in some instances.

In order to qualify for trade within the framework of the ETLS, businesses must apply to their local ministry responsible for ETLS services. The responsible ministry then forwards applications from businesses to members of the National Approvals Committee, which has been specifically established to scrutinize ETLS applications. After deliberating on the applications before it, the Committee sends its recommendations (approval or disapproval) back to the responsible ministry which sends the recommended approvals to the ECOWAS Commission. The Commission then reassesses the applications on its own, and formally approves the ones it agrees with. As part of the formal approval process, all member states are notified of the newly approved businesses and products. Thereafter, the responsible local ministry provides a Certificate of Origin for the approved product(s) to the business concerned, which UNCTAD (2018) notes is valid for only six months. Of course, it is not difficult to discern that this process is heavy with bureaucracy, which could hinder access especially by small-scale businesses. This problem is further compounded by insufficient awareness around the laws and policies governing the process. According to a joint gap analysis by the ECOWAS and the USAID West Africa Trade Hub in 2011, it was difficult to locate national laws and procedures relating to the ETLS protocols. The analysis concluded that "the inaccessibility of information on trading rules and procedures, therefore, serves as a real barrier to efficient and cost-effective trade".

Trade within the bloc is also affected by other NTBs which largely have to do with limited common standardization and regulatory control. These NTBs include Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT). The WTO defines SPS as legal and regulatory instruments imposed by governments in order to protect human, animal, or plant life or health against risks arising from the entry of pests spread by plant- or animal-borne pests or diseases, or disease-causing organisms; or from additives,

16

contaminants, toxins, or disease-causing organisms in foods, beverages, or food. While countries are encouraged to adapt to international conventions where they in fact exist, the WTO still leaves the ultimate decision solely in the hands of individual governments to maintain their sovereign right to determine the level of health protection they deem appropriate for their citizens. Notwithstanding, there are certain guidelines which WTO members must abide by, including that SPS must be based on science. As all countries within the ECOWAS are WTO members, UNCTAD (2018) notes that they have set their SPS legislations broadly in line with the WTO SPS Agreement framework. However, there is no harmonization among member states in their approach to applying the SPS Agreement. This appears to be so grave a problem that the World Bank (2015) in assessing food security within the bloc noted a major hindrance as the lack of uniformity in standards.

Intra-ECOWAS trade is also negatively impacted by TBTs which, on the other hand, are technical regulations and standards that specify product characteristics, such as functions, design, shape, size, and performance, labeling or packaging before they can be qualified to go on sale. TBTs fulfill similar objectives as SPS and also ensure consumer protection. These measures are however broadly regulated by the WTO under the Technical Barriers to Trade Agreement which seeks to guard against countries discriminating against others in order to gain undue advantage. The WTO requires that TBTs are based on international standards, and are non- discriminatory, justifiable, and transparent. According to UNCTAD (2018), ECOWAS countries developed a harmonized framework around TBTs through the West African Quality Program (WAQP). This was done with the help of development partners, given the high cost burden, and subsequently led to the adoption of the ECOWAS Quality Policy (ECOQUAL) at the 42nd ordinary session of the authority of heads of state and government in 2013. According to UNCTAD (2018), a total of 27 standards relating to food

17

and agriculture were approved and adopted as regional standards, pursuant to this policy. However, there continues to be challenges in the full implementation of common standards as some members simply do not apply the mutual recognition.

Other NTBs identified by UNCTAD (2018) include pre-shipment inspections, which the organization notes is not yet even on the agenda of the ECOWAS. These measures are carried out by private contractors and are typically used to streamline import procedures where customs and tax authorities are weakened by limited human capacity. Other export related NTBs such as quantitative restrictions and export license requirements also exist but given that there are no particular legislations or policies governing the harmonization of these, member states still exercise autonomy in how they apply these measures, thus allowing for significant disparities.

Over and beyond, the ETLS has made some strides in virtually eliminating tariffs and facilitating free movement of people within the ECOWAS. Incremental implementation has now even led to the establishment of the Common External Tariff (CET) framework which went into effect in 2015. However, notable NTBs still remain which hinder trade within the bloc. These serve as material impediments to increased trade within the region, affirming Haveman and Thursby's (2000) finding that the effect of NTBs on lowering trade volumes can be very large and are in fact greater than tariff reduction effects. It is important to note though, per Bachetta and Beverlli (2012), that trade and welfare effects of NTBs may not carry the same sign given the purpose which NTBs are supposed to serve. They proffer that NTBs may reduce trade but increase welfare "depend[ing] on the nature of the market failure that the measure addresses, the type of non-tariff measure used and other market-specific circumstances." In the case of the ECOWAS, it was observed over the period of this study

that while intra-regional trade has been hampered by NTBs as discussed above, GDP per capita and life expectancy increased while infant mortality decreased. It is worth noting however that several other factors can explain this phenomenon, such as a global concerted effort to improve those metrics through worldwide development activity. In addition, the region still performs worse on each of those welfare metrics compared to the rest of the world, per the UNDP's 2018 Statistical Update on Human Development Indices and Indicators.

2.4.2   Intra-regional Trade within the ECOWAS

To examine the significance of trade within the ECOWAS bloc, trade share from 2003 through 2010 was calculated. The UN defines trade share as "the percentage of the region under study's trade (imports plus exports) with another region of interest, in the total trade of the region under study". The indicator ranges over values from 0 through 100, with increases in the value over time reflecting significance of trade within a bloc. The formula used was:

$$\frac{\sum_{sd} X_{sd} + \sum_{ds} M_{ds}}{\sum_{sw} X_{sw} + \sum_{ws} M_{ws}} \times 100$$

where, 's' represents ECOWAS member states, 'd' is the ECOWAS region, 'w' is the set of countries in the world, 'X' is the bilateral flow of exports from the ECOWAS and 'M' is the bilateral import flow to the region. For this study, trade data for the ECOWAS was collected from the ETLS while world trade data was downloaded from the World Bank's WDI Database.

For the ECOWAS trading bloc over the eight-year period, the highest trade share estimated was 12.0% in 2004, while the lowest was 6.8% in 2010. There was no clear-cut pattern observed as to the direction of trade share over time. Over and beyond, with a

19

maximum of 12.0% trade share, it can be seen that trade within the ECOWAS is minimal and does not comport with Frankel and Romer (1999) who found that sharing a border had a significant impact on trade, raising trade by a factor of 2.2.

This may be explained by a lack of trade complementarities among countries within the ECOWAS bloc due to overall similar economic structures in the vast majority of member states. According to Karaki and Verhaeghe in a 2017 study published for the ECDPM, economic structures of ECOWAS states are quite similar such that exports usually comprise primary products while imports are mostly manufactured goods. They conclude that this ultimately results in low levels of intra-regional trade while reducing the incentive for members to implement regional commitments as discussed above. As such, countries with the biggest economies and more advanced private sector typically tend to dominate trade, leaving smaller countries to cling onto their traditional trade partners.

With the highest GDP of US$363Bn over the period covered by the study, Nigeria leads exports within the ECOWAS, accounting for 42.14%, followed by Cote d'Ivoire (31.50%), Senegal (6.92%), Ghana (6.24%), and Togo (3.48%). Cape Verde, The Gambia, Guinea Bissau and Sierra Leone are the least exporters, each with a share under 1.00%. In terms of imports, Cote d'Ivoire leads the way in intra-regional share with 25.70%, followed by Senegal (14.12%), Mali (14.05%), Ghana (9.77%) and Nigeria (8.13%). Again, Cape Verde, The Gambia and Guinea Bissau account for less than 1.00% of imports. On a net basis, only three countries had surpluses in each year over the eight-year period covered by this study. These included Cote d'Ivoire, Nigeria and Togo. Haveman and Thursby's (2000) compression effect can clearly be seen in the summary statistics provided above, where the source of imports is overwhelmingly concentrated in the largest importers.

Trade intensity for each member state was also estimated over the eight-year period to compare member states' export within the ECOWAS to the world's exports to the region. The UN defines trade intensity as ratio of two export shares, where the numerator is the share of the destination of interest in the exports of the region under study and the denominator is the share of the destination of interest in the exports of the world as a whole. Values range from zero to infinity, where a value greater than one indicates an intense relationship. The formula used was:

$$\frac{\sum_{sd} X_{sd} / \sum_{sw} X_{sw}}{\sum_{wd} X_{wd} / \sum_{wy} X_{wy}}$$

where 's' is the source country, 'd' is the destination (ECOWAS), 'w' and 'y' represent the countries in the world, and 'X' is the bilateral flow of total exports. The same data sources used in the calculation of trade share were used for this section of the study.

The highest trade intensity was observed in dominant countries like Cote d'Ivoire, Ghana and Senegal. Togo also had a high trade intensity as the country is one of the most active in intra-regional trade. As a share of total exports to the world, Togo had the highest intra-regional exports at approximately 30%. Otherwise, landlocked countries like Burkina Faso and Niger also had high intensity, which is explained by their geographic limitations.

3.0 Research Analysis

   3.1 Description of the Data: GDP Growth, Population, and GDP

The data for GDP growth, total population and GDP were downloaded from the World Bank's databank for the period 2003 through 2010. The total number of observations was 112, representing 14 out of the 15 countries in the ECOWAS (excluding Liberia as discussed below).

As defined by the World Bank, GDP growth (annual %) is the annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2010 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Total population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship. The values shown are mid-year estimates. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates. According to the World Bank, for a few countries where the official exchange rate did not reflect the rate effectively applied to actual foreign exchange transactions, an alternative conversion factor was used.

Considering the full panel, the average GDP growth was 4.6% per annum. The highest GDP growth observed was 15.0% while the lowest was negative 1.0%. The standard

deviation in this case was 2.8%. Comparing countries, the highest GDP growth of any given country was 7.3% while lowest was 1.8%. The resulting standard deviation was 1.6%, below that of the full panel. Within countries in a given year, the highest GDP growth was 13.3% with the lowest being negative 2.7%. The standard deviation was 2.3%.

For population, the highest observation across the panel was 159 million with the lowest being 460 thousand. The average was 15.9 million while the standard deviation was 35.6 million. Between countries, the highest population was $145 million and the lowest was 482 thousand; the standard deviation wad 36.7 million, similar to the above. Within countries, the highest population was 33.3 million, the lowest 6.7 million and the standard deviation 2.5 million. In terms of GDP, the highest observed across the panel was US$363 billion while the lowest was US$901 million. The average was $24.6 billion with a standard deviation of US$64.8 billion. Comparing countries, the highest GDP was $240 billion, the lowest $2.0 billion, and standard deviation US$62.3 billion, fairly close to the previous. Within countries, the highest observed GDP was US$148 billion while the lowest was US$110 billion. The standard deviation was low at US$23.8 billion.

3.2 Description of the Data: Intra-ECOWAS Exports and Exports to Rest of World

Trade data was collected from the ECOWAS for the available periods, 2003 through 2010. Exports reflect the sum total of exports to countries within the ECOWAS bloc in each period (annually), while imports reflect the sum total of imports from ECOWAS countries over the same period. Based on the trade flows collected from ECOWAS and nominal GDP data from the World Bank, a new variable – "exports to ECOWAS member states as a percentage of total exports to the world" – was derived. This new variable is otherwise referred to in this paper as "ECW participation" or "participation". The total number of

observations in long form was 112, representing 14 out of the 15 countries in the ECOWAS. The ECOWAS did not have data available for Liberia over the 2003 – 2010 period, and thus the country is excluded from this analysis.

Across the panel, the highest ECW participation for any observation was 11.0% while the lowest was 0.0%. The average ECW participation was 2.5% and the standard deviation was 2.9%. When the data was observed among countries, the highest participation of any one country was 9.1% while the lowest was again 0.0%. The standard deviation was 2.8%, in line with the previous one. Taking a look at individual countries, the highest participation any country had for a given year was 6.9% while the lowest was negative 0.9%. This came with a lower standard deviation of 1.1%.

3.3 Research Methodology

A one-to-one merger was done for the ECW participation, GDP growth, population and GDP variables to form a panel. All observations had complete information for the 8-year period and thus none were dropped. In total, the balanced panel comprised the 112 observations. The dependent variable in this study is GDP growth, while the key independent variable is ECW participation. Population and GDP are used as confounders to better understand the relationship. Analyses using first difference, OLS and pooled OLS estimates were done to examine the relationship between the variables. Regression tables illustrating these results are shown in the appendices.

3.4 Findings

A global trend analysis was done to see the relationship between participation and GDP growth. Generally, the trend showed an inverse relationship in that as participation increased, GDP growth decreased and vice versa. One implication that can be drawn from this is that other factors affect growth more than trade participation within the ECOWAS. Of note however, when the global economy experienced the downturn in the last recession, it was observed that ECOWAS member states increased participation in the bloc, which later declined as the recovery took shape.

On the other hand, population was unaffected by participation in the member states. This was largely to be expected as population growth in the ECOWAS and the African continent at large has been on an upwards trajectory over the last two decades. It was also observed that GDP increased regardless of participation. Interestingly, increased participation during the Great Recession was accompanied by a dip in GDP.

Given the eight-year timespan of the data, two lags were used to estimate the effect of a change in participation on change in GDP growth using first difference. For each of the lags, there was no effect and the coefficient estimates were not statistically significant. Excluding the lags, the same phenomenon was observed.

The OLS and pooled OLS estimates also showed no relationship between participation and GDP growth. The respective coefficients were however significant at 5%. Interpreting the results, an increase in ECOWAS trade participation essentially had no impact on GDP growth. It is however worth noting that no conclusions can be drawn on causality as none of these models can demonstrate the causal effect that a change in participation leads to a change

in GDP growth. This is because firstly, the experiment was non-randomized and parallel trends assumption is difficult to check. Moreover, there are unexplained factors as to why participation increased in some countries or in some years over others.

Further analysis was done using population and GDP as confounders. The selection of these variables was mostly to determine whether population size or the size of the economy had any effect. Of the two confounders, only the coefficient estimate for population was statistically significant. From the regression, it was observed that adding population as a confounder had no real effect. The OLS shows that comparing two countries with the same population, the country with higher participation did not necessarily have higher GDP growth.

4.0 Conclusion and Policy Recommendations

The findings from this study are similar to that of Ogbuabor et al (2019) who found no positive impact of integration on countries within the West Africa Economic and Monetary Union (WAEMU), inclusive of Benin, Burkina Faso, Guinea-Bissau, Mali, Niger and Togo. They link this to the similar characteristics of the economies within the WAEMU, which reduces trade complementarity. At this point it is also important to highlight Vamvikidis (1998) who after examining the impact of geographic proximity on trade found that countries neighboring with more developed neighbors which were open and large grew faster than those whose neighbors were less developed, closed, and smaller. Interestingly and more relevant to this study, he found that regional trade agreements did not lead to growth after testing five regional trade agreements during the 1970s and 1980s. The explanation he put forth for this was that most of the agreements he tested were among small, closed, and developing economies. Most of the ECOWAS member states fit at least two of the characteristics identified above – small and developing – thus providing further support for the main findings of this study. In addition, intra-ECOWAS trade continues to be hampered by the existence of NTBs as well as overall low participation resulting from limited access to information.

Despite the findings of this study, there is potential in the ETLS to deliver benefits for member countries as has been seen in the case of the EU and ASEAN. The ECOWAS remains clear-eyed about deepening integration, evidenced by the establishment of the CET which is one step closer to the formation of a customs union within the region. This paper therefore provides some policy recommendations for strengthening of the existing framework, which could form the basis for further integration.

27

One of the key factors affecting increased participation is that many businesses within the ECOWAS are not aware of the policy and/or find it difficult in accessing relevant information. There is also no systematic mechanism for the exchange of information related to investment opportunities and the governing national policies and procedures (tax administration, public procurement, etc.) in the respective countries. As a first step towards enhanced integration, there needs to be increased awareness around the ETLS policy with clear guidance on the application process. In addition, dedicated offices within the local ministries responsible for ETLS affairs must cooperate with each other and be empowered to take on more active public engagement roles to support cross-border trade flows. Per Langhammer and Hiemenz (1990), when access to information on rules and regulations implemented in member states is available, it enables bureaucrats and businessmen to assess "the obstacles against and the potential for an expansion of economic activities across borders."

Further, given the six-month validity of the certificate of origin, the approval process is quite heavy with bureaucracy, thereby discouraging participation. As such, there is a need to reduce bureaucracy in the 6-step application process, which can be achieved by setting up local approval offices who will act in liaise with a regional coordinator. The ECOWAS could also explore lengthening the validity of certificates of origin for businesses after a probationary period. This would require investment in closer monitoring to ensure that businesses remain in compliance with the conditions under which the certificates were granted in the first instance.

Next, it is important to recognize the extent to which non-tariff barriers impede the free movement of goods and services. A policy prescription here is for the ECOWAS to

harmonize standards for the Community, and in line with WTO standards as discussed by Trachtman (2003), which will improve efficiency in trade flows. Key to this recommendation is the establishment of strong institutions per Winters (2004) which will monitor implementation and update standards on a periodic basis. To support this effort also, there needs to be stricter monitoring at ports of entry to prevent potential instances of corruption which could also increase transaction costs.

Fourth, ECOWAS member states must develop a common and coherent set of macroeconomic, structural and social policies to support integration. More disciplined fiscal and monetary policies per Radelet (1999) would create the stability needed to support integration. This would also reduce heterogeneity among economies within the bloc while improving convergence.

In addition to the above, joint production of public goods to facilitate intra-regional trade and attract foreign direct investment (FDI) is essential to stimulate and sustain growth within the ECOWAS. Per Crotti (2018) in a paper for the World Economic Forum (WEF), economic progress in a majority of ECOWAS members is held back by bad roads, severe electricity shortages and inefficient ports, thus increasing transaction costs for businesses "with multiple roadblocks both across borders and within countries." According to Baldwin (1992), increased investment in the capital stock could prolong the temporary effects of liberalization on GDP growth. Given that most of the economies within the ECOWAS are small and developing, the costs of investing in these projects would be best borne if shared. While the implementation of this policy would require significant political will from member states, development partners currently supporting public infrastructure in these countries

along with integration efforts could direct infrastructural development aid towards joint projects rather than national ones.

Also, there is a need to strengthen the CET as an important step towards a customs union by addressing the implications arising from the asymmetry in members' tariff policies hitherto. Karaki and Verhaeghe (2017) note that Nigeria has been using its powers as the dominant economy in the region to push for more protection from non-ECOWAS countries. As such, rates in the CET are substantially above the tariffs in smaller countries, which has the potential for not only raising prices in these smaller countries but also producing a trade-diverting scenario. In order to keep strong public support for the CET, the ECOWAS would need to assess ways in which it can address the distortions arising from the CET over the medium-term.

Finally, it can be noted that this study focused on the trade of goods and did not fully consider the service sector. This is because the flow of services between member states is still minimal, evidenced by the fact that it was not until 2016 that the body established the Regional Services Trade Policy to govern cross-border trade in services within the bloc. According to the African Development Bank, contribution to the regional GDP from the service sector increased to 51.6% in 2015 from 29.3% in 2005, driven by trade, transportation, telecommunications and financial services. Given the growing nature of the services industry and the strong prospects it holds, there is need for greater cooperation in that regard, which could address employment and human capacity challenges while filling in the skills gap within member states and maximizing regional growth.

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6.0 Appendices

ECOWAS Trade Statistics

Intra-Regional Exports and Imports (2003 - 2010)

Intra-regional Net Exports (2003 - 2010)

ECOWAS Trade Share (2003 - 2010)

Average Trade Intensity (2003 - 2010)

ECW Exports as % of Total Exports (2003 - 2010)

ECW Imports as % of Total Imports (2003 - 2010)

Exports - Intra-Regional vs. ROW (2003 - 2010)

Imports - Intra-Regional vs. ROW (2003 - 2010)
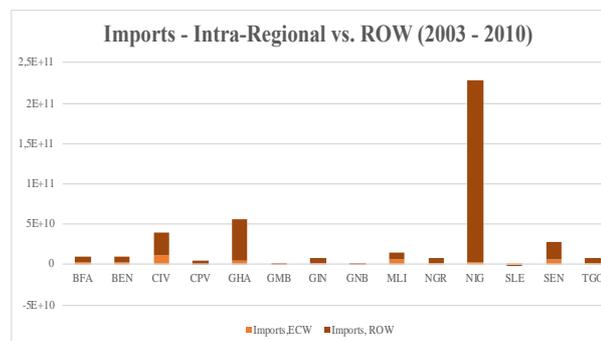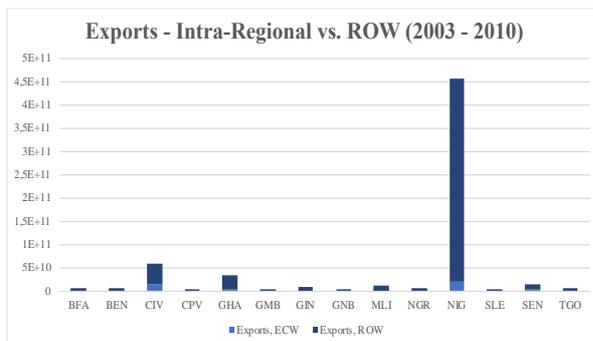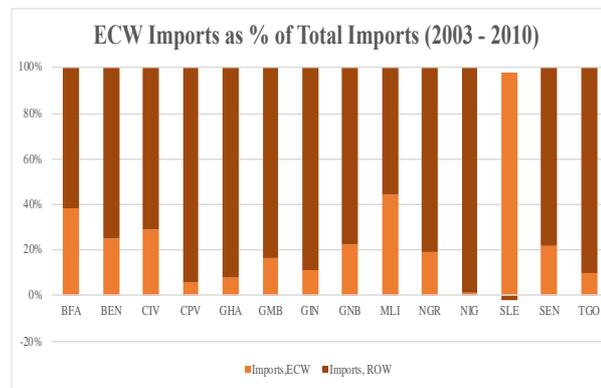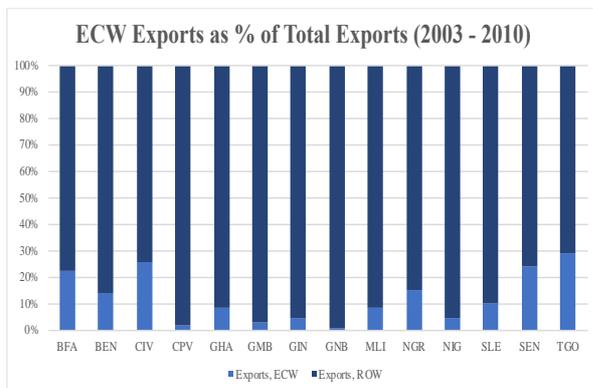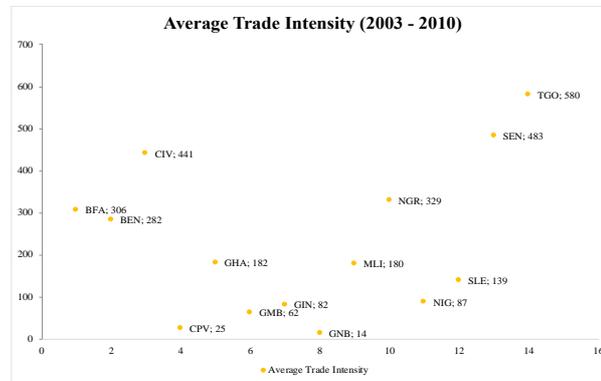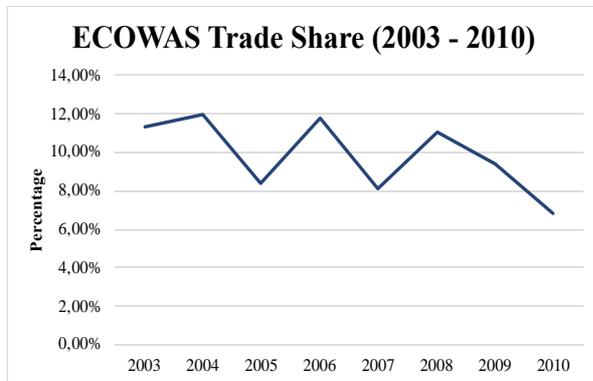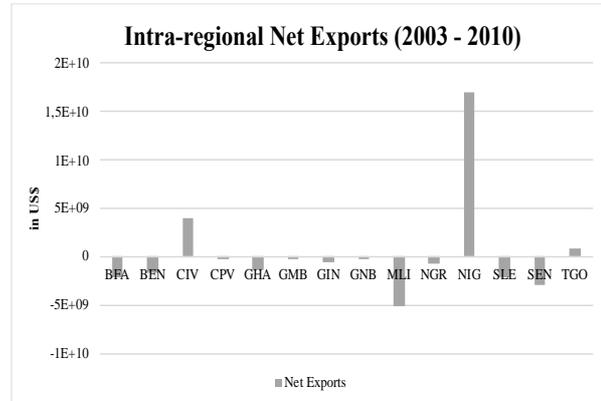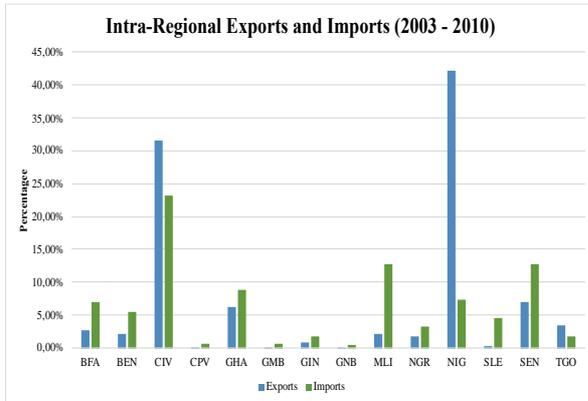
## Descriptive Statistics – Histograms of GDP Growth, ECW Participation, Population and GDP
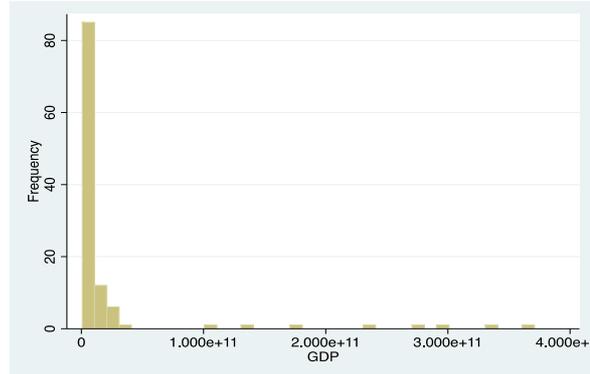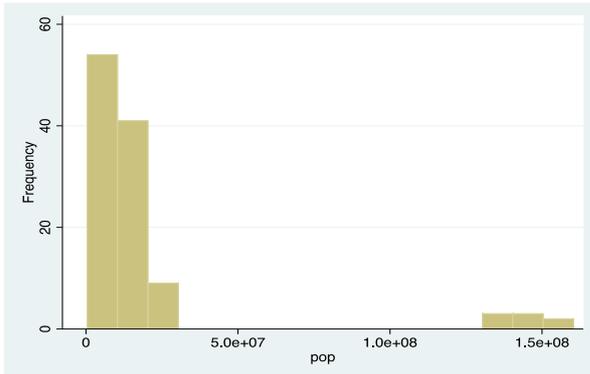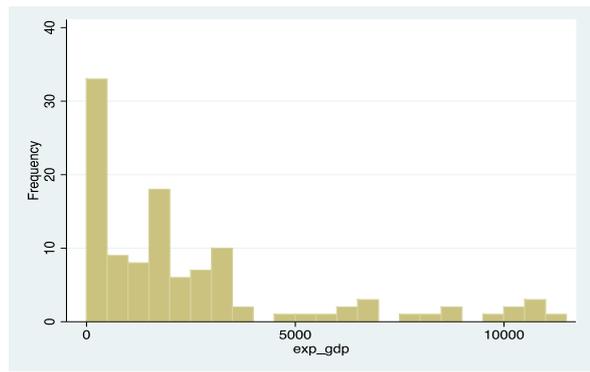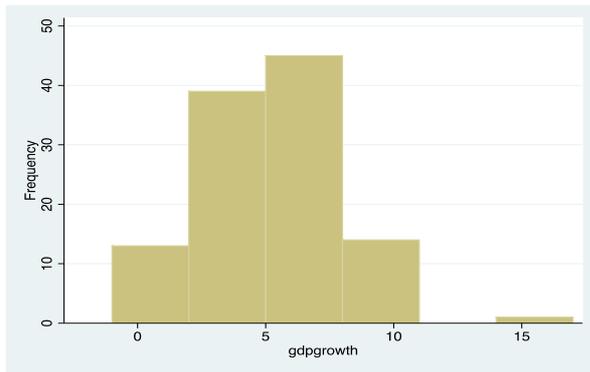
Descriptive Statistics– Kernel Density (GDP Growth, ECW Participation, Population & GDP)
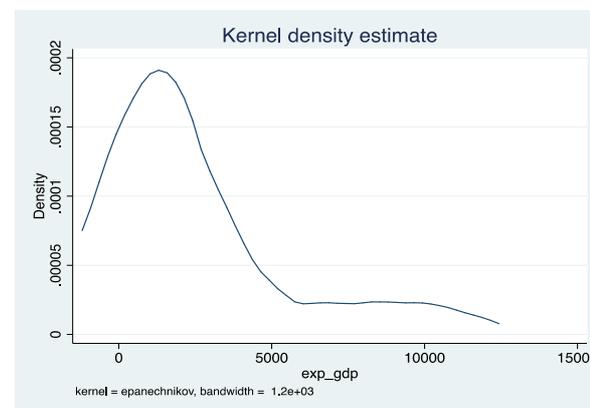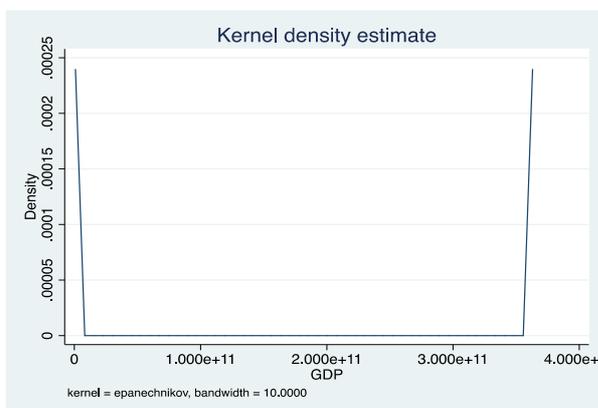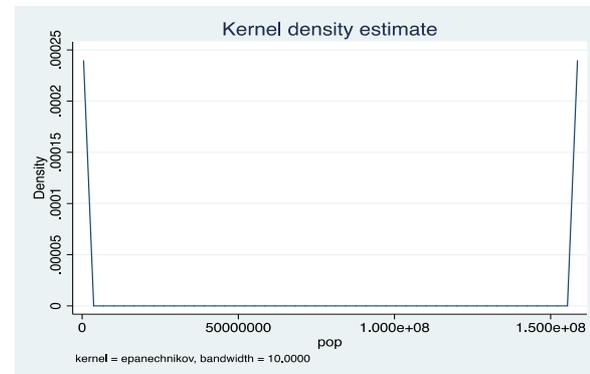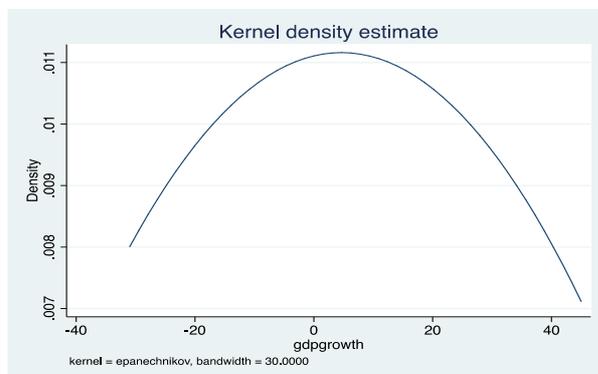
Trends Analysis – GDP Growth, Population and GDP on ECW Participation
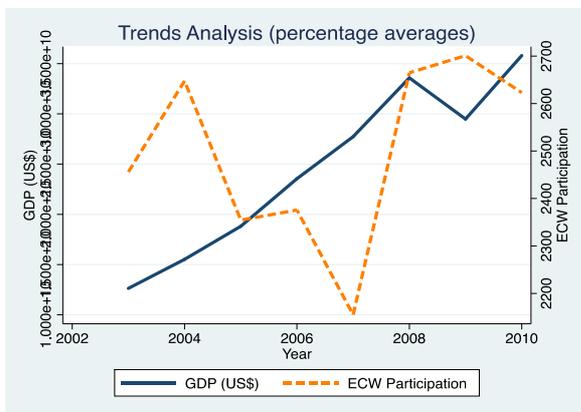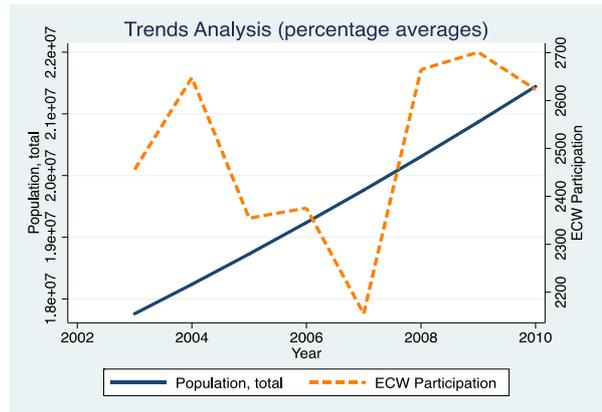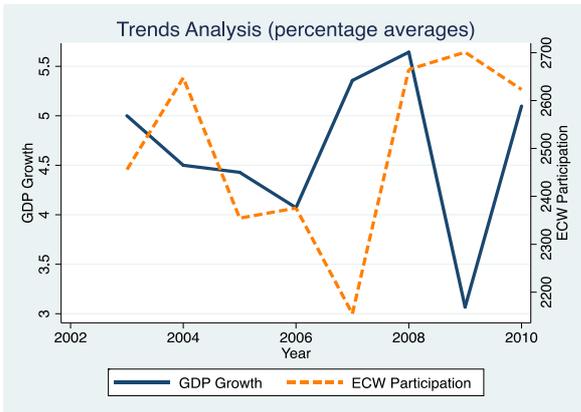
Summary Statistics

GDP Growth

Variable		Mean	Std. Dev.	Min	Max	Observations		
gdpgro~h	overall	4.645804	2.76765	-1	15	N =		112
	between		1.573894	1.75	7.25	n =		14
	within		2.31062	-2.729196	13.2708	T =		8

ECW Participation

Variable		Mean	Std. Dev.	Min	Max	Observations		
exp_gdp	overall	2.473214	2.919212	0	11	N =		112
	between		2.772278	0	9.375	n =		14
	within		1.149324	-.9017857	6.848214	T =		8

Population

Variable		Mean	Std. Dev.	Min	Max	Observations		
pop	overall	1.95e+07	3.56e+07	460147	1.59e+08	N =		112
	between		3.67e+07	482585.1	1.45e+08	n =		14
	within		2451600	6683227	3.33e+07	T =		8

GDP

Variable		Mean	Std. Dev.	Min	Max	Observations		
gdp	overall	2.46e+10	6.48e+10	9.01e+08	3.63e+11	N =		112
	between		6.23e+10	2.01e+09	2.40e+11	n =		14
	within		2.38e+10	-1.10e+11	1.48e+11	T =		8

First Difference – GDP Growth on ECW Participation

	FD	FD Lag1	FD Lag2
D.exp_gdp	-0.00	-0.00	0.00
	(0.00)	(0.00)	(0.00)
LD.exp_gdp		-0.00	-0.00
		(0.00)	(0.00)
L2D.exp_gdp			0.00
			(0.00)
_cons	0.02	0.12	0.11
	(0.12)	(0.19)	(0.20)
R2	0.00	0.03	0.05
N	98	84	70

* p<0.05; ** p<0.01

OLS and POLS – GDP Growth on ECW Participation

	OLS	POLS
exp_gdp	-0.00	-0.00
	(0.00)**	(0.00)**
_cons	5.19	5.19
	(0.36)**	(0.36)**
R2	0.05	0.05
N	112	112

* p<0.05; ** p<0.01

OLS – GDP Growth, Population and GDP on ECW Participation

	OLS
exp_gdp	-0.00
	(0.00)*
pop	0.00
	(0.00)*
gdp	-0.00
	(0.00)
_cons	4.76
	(0.42)**
R2	0.11
N	112

* p<0.05; ** p<0.01