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## REGIONAL INTEGRATION IN WEST AFRICA

by

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Research programme on:  
Integration and Co-operation in Sub-Saharan Africa

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## PREFACE

The Development Centre's research on Africa since 1997 has centred on the theme of Emerging Africa. An in-depth examination of six countries showing some potential for take-off has identified three ingredients leading to high and sustainable growth:

- 1) access to external non-debt financial resources;
- 2) legitimate political leadership;
- 3) long-term regional focus.

With these tentative conclusions in mind, in 1999 the Centre launched a research project to pass from country-specific to region-wide analysis, to improve the flow of information for the implementation of co-operation efforts, and to derive policy recommendations for donors and other non-governmental development partners. Regionalism may be fashionable but it is not a new phenomenon in Africa. Indeed, the world's oldest customs union exists in Southern Africa, and the list of both past and present multilateral economic agreements is probably longer than that of any other continent. However, while some successful examples of regional co-operation do exist, Africa's record of creating and sustaining regional frameworks is generally poor. The pressing need for high output growth, industrialisation, employment creation, increasing export trade, higher social and human capital development, and above all lower poverty, is giving regional integration a new lease of life.

A small number of experts from Africa and Europe have been asked to provide the elements to structure our thinking around two complementary issues:

- 1) What is the scope for increased intra-regional trade in sub-Saharan Africa, in the context of current trends towards freer regional trade?
- 2) Which are the most promising areas of regional co-operation?

The studies included in this special series of Development Centre *Technical Papers*, together with one by Andrea Goldstein, published in 1999, (TP No. 154), provide updated analyses on the progress of regional integration in sub-Saharan Africa and will contribute to the debate on this key issue for its development. The papers are also published in anticipation of the Second International Forum on African Perspectives, on the theme of Regionalism in Africa, organised by the Development Centre and the African Development Bank.

Jorge Braga de Macedo  
President  
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## **ABSTRACT**

ECOWAS, the Economic Community of Western Africa States, was set up in 1975 by 16 countries with the ultimate objective of forming an economic community. As in similar RTAs, that were best thought as extensions of ISI, early results have been rather discouraging, but the process of domestic liberalisation and trade reform initiated in the late 1980s led in 1992 to a new attempt to revamp the Community. There are at least two very interesting features of ECOWAS that indeed makes it a very interesting case study for the project. First, two of the most relevant Emerging Africa countries are located in the sub-region, namely Côte d'Ivoire and Ghana, as is Nigeria, still embroiled in many economic woes, but that is regularly considered alongside South Africa as the key country to sustain the renaissance of Africa. Exploring how the smaller partners can provide a stimulus to Nigeria is therefore a first goal of the study. Second, the ineffectiveness of ECOWAS cannot mask the rich web of intra-regional ventures, of various kind and success, which characterise Western Africa. These range from multilateral military interventions in Liberia and Sierra Leone, to multinationals such as Air Afrique, to joint infrastructure projects such as the Escravos-Effasu gas pipeline and the Abidjan stock exchange, to non-government groupings such as the Federation of West African Chambers of Commerce or the West African Enterprise Network.

## **RÉSUMÉ**

La Communauté économique des Etats d'Afrique de l'Ouest (CEAO) a été créée en 1975 par seize pays dans l'objectif de mettre en place à terme une communauté économique. Comme d'autres accords d'échanges régionaux – plutôt conçus comme des prolongements des politiques d'industrialisation par substitution aux importations – ses premiers résultats ont été décevants. Toutefois, le processus de réforme commerciale et de libéralisation des marchés intérieurs lancé à la fin des années 80 a abouti à une relance de la Communauté en 1992. Deux caractéristiques au moins de la CEAO en font un cas d'étude très intéressant. En premier lieu, deux des pays d'Afrique émergente les plus pertinents (la Côte d'Ivoire et le Ghana) sont situés dans cette région, tout comme le Nigeria, encore empêtré dans de nombreuses difficultés économiques, mais que chacun considère (à l'instar de l'Afrique du Sud) comme l'un des pays-clés pour une renaissance de l'Afrique. L'étude vise ainsi principalement à explorer comment des partenaires plus petits peuvent jouer un rôle incitatif pour le Nigeria. En second lieu, l'inefficacité de la CEAO ne peut masquer la densité des accords d'entreprises intra-régionaux en Afrique de l'Ouest, leur diversité et leurs succès : interventions militaires multilatérales au Liberia et en Sierra-Leone, multinationales comme Air Afrique,

projets d'infrastructures communs tels le gazoduc Escravos-Effasu ou la Bourse d'Abidjan, associations non gouvernementales comme la Fédération des Chambres de Commerce d'Afrique de l'Ouest ou le Réseau des entreprises ouest-africaines.

## I. INTRODUCTION

There are a number of peculiar features in West Africa which have definitely influenced trends in integration. Not only does the area have some of the densest populations in Africa, it also contains the largest number of individual nations, fifteen<sup>1</sup> and embraces three different agro-ecological zones — against the one or two zones of other African regions. West Africa possesses the largest variation of mineral ores and the relief is generally flat, thus making it conducive to the development of railways and roads. Only three out of the countries in the sub-region are landlocked. Despite its natural wealth, however, the sub-region contains some of the world's poorest countries, such as Benin, Cape Verde, Guinea, Guinea Bissau, Liberia, Mali and Burkina Faso.

West Africa has nurtured a large number of inter-governmental organisations active on integration issues. Despite the 'natural instinct' for integration, most of them have performed poorly. Few governments have shown the political will to surrender sovereignty to supranational bodies. Many countries have been involved in several different arrangements at the same time, sometimes with conflicting goals and strategies. Until the early 1990, the closed nature of political and economic regimes have also run counter to any expectation that regional integration could contribute to better governance and more fruitful insertion into the world economy.

Things started to change in the last decade, not least because of the now widespread perception that greater economic interaction takes place outside formal arrangements than inside them. In the Economic Community of Western African States (ECOWAS), arguably the region's most important grouping, it is estimated that while only 6 per cent of the sub-region's product is traded among its countries, as much as 30-to-50 per cent of export crops are traded unofficially (Meagher, 1997). The rich texture of informal trading links among neighbouring countries would normally make it plausible to expect such exchanges to increase, become formal and lead to the adoption of a more efficient institutional framework for regional integration, but this, as cautioned by Meagher (1997), is not necessarily the case. She suggests that the informality of the trading links is often maintained in order to satisfy the special interests of specific groups that are able to take advantage of the bottlenecks imposed by weak policy and institutional structures. Thus, for example, poor border arrangements allow officers responsible for their security to derive rents from illegal cross-border transactions, or to arbitrarily impose taxes on poorly-informed traders. For such interest groups, a maintenance of poor formal institutional arrangements has become a part of the *status quo*: regardless of the fact that the broader economies suffer, such groups have little interest in setting and enforcing formal norms and institutions.

The 1990s have also seen a greater interest in pursuing formalised private cross-border capital transactions, even if this phenomenon is still at a very early stage. The best example is the transformation of the Abidjan stock exchange into a regional exchange with trading floors in other Francophone countries — and one which even authorities in a non-Francophone country like Ghana have seriously considered joining (Aryeetey, 1998). Similarly, the interest in and expected benefits from initiatives to provide air transportation on a regional basis remain quite high,

despite the problems encountered by Air Afrique, a regional airline of the Francophone countries (Goldstein, 1999). There have indeed been serious discussions about the establishment of another sub-regional airline with Nigeria and Ghana as the major interested parties<sup>2</sup>. Despite the fact that early attempts to develop natural resources jointly failed, most notoriously in the case of the CIMAO project that involved Côte d'Ivoire, Ghana and Togo, there is renewed interest in such joint undertakings. The most notable example is the current gas pipeline project to link Nigeria, Benin, Togo and Ghana which is scheduled to be completed at the end of 2001. Finally, West African governments have begun to discuss currency convergence and the establishment of a single currency zone within the context of a two-track approach that will involve non-UEMOA countries.<sup>3</sup>

Aside from the economic undertakings, there is also growing political interaction in the sub-region under the aegis of ECOWAS. The clearest manifestation of this is the involvement of the sub-regional body in peace-keeping efforts in Liberia and Sierra Leone. While this would have been considered inconceivable a decade earlier, there is now a broad support among West African governments and people for interventions aimed at preventing unrest in problem areas to spill over into the rest of the sub-region. While such interventions have clearly shown the regional supremacy of Nigeria, smaller countries like Guinea and Burkina Faso have also been willing to get involved in sub-regional political matters.

Nigeria's role in the region's political economy can be analysed in terms of the analysis by Easterly and Levine (1995) on what explains the greater difficulty of Africa in achieving macroeconomic stability than other regions in the developing world, particularly East Asia. They concluded that explanations for the "striking" regional concentration of failure in Africa and success in East Asia should go beyond standard macroeconomic variables. After including in their core regression model such factors as institutional development, wars, infrastructure and ethnic diversity, they still found that a significant explanation of poor growth in Africa may be attributed to a "contagion effect". In West Africa, Nigeria's lethargy has adversely affected the rest of the sub-region. On the other hand, economies such as Ghana, Côte d'Ivoire and Senegal have sought to position themselves to take advantage of the weakness of Africa's "sleeping giant". They have implemented economic reform programmes, pursued increased donor assistance to boost and diversify exports, and invested in expanding their manufacturing basis to cater for larger sub-regional markets. Thus, for example, while Ghana calls itself the "Gateway to Africa", Senegal prides itself in being "The Real Gateway to Africa" with programmes that are intended to lead to the development of export processing zones (Odenthal, 2001). It is significant that both Ghana and Senegal should see regional integration as a necessary approach in their national development strategies, without necessarily aspiring for leadership positions. Paradoxically, Nigeria's return to democratic rule in 1999 and its timid progress in restoring prudent economic policies is seen with mixed feelings in neighbouring nations, including Ghana and Côte d'Ivoire. While they hope that Nigeria's recovery may boost West Africa's overall rating, they fear that the little FDI and portfolio investments they have attracted in recent years may be relocated to Nigeria, whose domestic market is much larger.



This paper examines approaches and experiences of integration in West Africa, with a focus on ECOWAS. Based on a review of recent developments — including the revision of the original ECOWAS Treaty and those endeavours that have kept the spirit of regional integration burning, in spite of the weakness of ECOWAS as a lead agency for regional integration — it tries to identify how regional integration can contribute to the goal of developing a critical mass of countries that may accelerate the rate of growth in the whole region. In particular the focus is on how Ghana and Côte d'Ivoire can complement the “new” Nigeria in developing activities that will foster growth in intra-area trade and generate employment, and on what should be done to increase the involvement of the private sector and other non-governmental bodies.

## **II. APPROACHES TO INTEGRATION IN WEST AFRICA**

Long before Western African integration arrangements were formalised in 1975, the Economic Commission for Africa (ECA) had begun to see the need for integration. As in all ECA-sponsored integration initiatives, it prioritised the need for individual countries to adopt an import-substitution industrialisation (ISI) strategy before formally entering into integration arrangements. The strategy attempted to insulate countries from external influences which were believed to be holding back the development process, and which were assumed to be much more severe than internal constraints. ISI was regarded by governments to be important for creating in the population a feeling of self-sufficiency while gaining the respect of the comity of nations. In many countries, import-substitution was undertaken with state ownership, except in cases where this was not feasible. In Ghana, in particular, the state nationalised all major foreign production and distribution enterprises and set up new ones. Even in countries that supported private capital, such as Nigeria and Côte d'Ivoire, the state's participation in production was not marginal. In many instances the state became a partner of the foreign companies that previously owned the enterprises, as did the Nigerian government with banks. The irony of ISI was of course that many state-owned firms were highly dependent on imported fixed and variable inputs. As a result the import bill did not shrink, often leading to major balance of payments problems. In the end, the ability of nations to diversify production was compromised.

### **Formal Integration Efforts between 1975 and 1992**

As in other parts of the developing world, the experience of West Africa with formal regional integration has been largely driven by the desire to overcome the constraint of small economic size, which was hampering their ability to industrialise efficiently, by extending the logic of protected and state-led economic development to a larger number of countries. Indeed, the preamble to the 1975 ECOWAS Treaty noted that the community was being created in view of the "... overriding need to accelerate, foster and encourage the economic and social development of member states in order to improve the living standards of their peoples" (ECOWAS, 1975). The structural transformation envisaged was later clarified to be within the context of "self-reliant and self-sustaining development of member states" (Organisation of African Unity, 1981, p. 128).

The ECOWAS saw regional integration as a multi-step process eventually leading to a customs union and then a common market integrating states in the West African sub-region politically and culturally. Both the original Treaty and the subsequently revised version of 1992 (complemented by more than 30 protocols and supplementary protocols) include initiatives to promote co-operation and development in industry, transport, telecommunications and energy, agriculture, natural resources, commerce, monetary and financial matters, as well as social and cultural affairs. The principal areas of operation have been:

- expanding the regional market;
- harmonising agricultural and industrial policies through production integration;
- ensuring the harmonious integration of physical infrastructures;
- promoting monetary and financial integration to facilitate trade;
- maintaining regional peace, stability, and security; and
- ensuring free movement of persons, including rights of residence and establishment.

It is important to note that ECOWAS exists alongside other sub-regional integration arrangements. By 1975, there were over 40 inter-governmental organisations (IGOs) that co-operated with either the countries of ECOWAS, the erstwhile Communauté des États de l’Afrique de l’Ouest (CEAO), or the Mano River Union (MRU) (Table 1).

**Table 1. Membership of Regional Integration Arrangements in West Africa**

ECOWAS-1975	CEAO-1973 <sup>4</sup>	MRU-1973	UEMOA-1994
Benin	Benin	Guinea	Benin
Burkina Faso	Burkina Faso	Liberia	Burkina Faso
Cape Verde	Côte d’Ivoire	Sierra Leone	Côte d’Ivoire
Côte d’Ivoire	Mali		Guinea Bissau
Gambia	Mauritania		Mali
Ghana	Niger		Niger
Guinea	Senegal		Senegal
Guinea-Bissau			Togo
Liberia			
Mali			
Niger			
Nigeria			
Senegal			
Sierra Leone			
Togo			

Note: Mauritania left ECOWAS in December 1999.

The three current integration organisations have promoted quite similar projects to advance their objectives, including the establishment of institutions for human development, agricultural and industrial development, and monetary co-operation. Before UEMOA, the CEAO led the scene with the creation of a joint central bank, the BCEAO. On its part ECOWAS established a West African Clearing House to facilitate intra-regional transactions and reduce reliance on foreign convertible currencies. It is remarkable that despite a certain communality of purposes — liberalising intra-area trade and achieving other forms of co-operation — there has been hardly any effective co-ordination among them. Considering the significant overlap in both goals and activities, it is indeed surprising that member countries found it necessary to maintain a multiplicity of institutions. Explanations include the ‘French factor’ — i.e. the desire of successive governments in Paris to support organisations grouping their formal colonies in the region — as well as a lack of confidence by individual countries in the capacity of such institutions to protect their interests (Bundu, 1997). In a sense it was a case of seeking double assurance without paying a higher premium (these issues are analysed in detail in Section IV).

## **ECOWAS as the Dominant Sub-Regional Institution**

ECOWAS embraces over 200 million people in all 15 states in West Africa (Table 2), ten of whom have parallel allegiances to other groupings, and (until 1999) Mauritania. Thus, the now dormant Mano River Union (MRU) embraced Guinea, Liberia and Sierra Leone; the erstwhile West African Economic Community (CEAO) pulled together Benin, Burkina Faso, Côte d'Ivoire, Mali, Mauritania, Niger and Senegal; and the remaining six ECOWAS states (Cape Verde, Gambia, Ghana, Guinea Bissau, Nigeria and Togo) belonged to no other grouping until Guinea Bissau and Togo joined other Francophone countries and the members of the Mano River Union to establish UEMOA in 1994.

ECOWAS is operated through a conference of Heads of State, a Council of Ministers, an executive secretariat, a development and co-operation fund, and five specialised commissions, namely:

1. Trade, Customs, Immigration, Monetary and Payments;
2. Industry, Agriculture and Natural Resources;
3. Transport, Communications and Energy;
4. Social and Cultural Affairs;
5. Administration and Finance.

The individual countries remain the ultimate decision-makers of ECOWAS, through what has been described as “intergovernmentalism” (Ntumba, 1997). By this, the Authority of Heads of State and Government (hereafter the Authority) sits at the top of the hierarchy of governing bodies and dominates the system. All the power to direct the organisation comes from this body which meets annually. It is responsible for governing the community, and for determining policy directions. It also constitutes the court of last appeal, even though it has now been agreed to formally set up an ECOWAS Supreme Court. Indeed, the Authority is the body that will determine the composition, powers, statutes and all other aspects of the regional tribunal. The Authority is responsible for appointments to the most senior posts, including that of Executive Secretary and Accounts Commissioner. Indeed as Ntumba (1997) has observed, “nothing is done without the Authority’s explicit approval”.

The Council of Ministers is subordinate to the Authority and acts as the intermediary between the latter and the Secretariat, putting flesh on the directives that the Heads of State issue to the Secretariat. It draws its powers from the Authority, which gives it a supervisory role, both on the Secretariat and the specialised and technical committees. The Council of Ministers sets the rules governing the terms and conditions of service for the Executive Secretary and other Secretariat officials. The Council also approves the annual budgets of the Secretariat, member states’ contributions and any other source of revenue. It meets bi-annually to oversee the work of the Secretariat. The latter is run by the Executive Secretary and is the permanent technical and administrative body of ECOWAS. The Executive Secretary is usually appointed for a four-year term, renewable once, and can only be dismissed by the Authority upon the recommendation of the Council of Ministers. The secretariat of ECOWAS has been described as weak (Adedeji, 1991; Ntumba, 1997). Until the 1992 reforms, it lacked any decision-making power and

could only implement the decisions of the inter-governmental bodies. The lack of decision-making authority is invoked to explain the usually long reaction-time between events and community responses (Ntumba, 1997). National leaders sought to re-create at the sub-regional level their own highly-centralised domestic structures in order not to lose control.

## **People-Centred Regional Integration after 1992**

As early as 1983, ECOWAS leaders had come to accept that the multiplicity of agencies under the three major organisations was not only unnecessary but also costly. A joint ECA-ECOWAS study on rationalisation was undertaken in 1987 and its proposals for institutional reform made public in 1991. An expectation of the reforms was that the various smaller groupings within the sub-region would be consolidated into a single body, turning ECOWAS into the single regional economic community with responsibility for the integration agenda. In the 1992 revision of the ECOWAS Treaty, the intention was to take into account economic and political developments in the region and in the outside world. This motivated, for example, a shift to the development of a “people-centred organisation”, as opposed to the overly bureaucratic inter-governmental agency of the past. Another development was the emphasis on the need to assure internal peace as well as cross-border stability and security. The organisation planned to improve its decision-making processes and procedures in order to make decisions binding and automatically enforceable. This was to be achieved by streamlining the institutional and operational framework, as well as the delivery capacity, of the Secretariat. In line with the above objective, a number of existing IGOs were made specialised institutions of ECOWAS, managing activities such as monetary integration, the mobilisation of development finance, environmental protection (drought and desertification control), regional food security (cereal production, livestock development and pest control), development of river basins, human health and human resource development.

Paradoxically, barely two years after a revised ECOWAS treaty was adopted, the CEAO transformed itself into UEMOA. Early discussion of this prompted ECOWAS to revise its stand on being the sole integration agency for the sub-region and suggesting that it would “ultimately” become the sole economic community of the region (Bundu, 1997). The inconsistency in approaches to trade liberalisation among the different sub-regional groupings has also been a major feature of the integration efforts in the area.

## **The Genesis of UEMOA**

By the beginning of the 1990s, the survival of CEAO as a regional trade body had come under serious threat, largely as consequence of the malfunctioning of the trade arrangements put in place, which were largely perceived to work mainly in Côte d'Ivoire's favour. The institution of a preferential regional co-operation tax (TCR) on manufactured exports from member countries worked largely to the advantage of Côte d'Ivoire and Senegal. Since the compensation mechanism did not work properly, the loss of revenue from member states was considered to be a serious setback to the integration effort. The absence of complementary industrial structures

ensured that the number of industrial products registered under the TCR hardly changed. By 1986, the share of products registered under the TCR from Côte d'Ivoire was 80 per cent, compared to 51.6 per cent in 1976. In the same period, the Senegalese share of exports under the TCR declined from 46 per cent to 13.5 per cent (Badiane, 1997).

The poor functioning of the system of preferences and the inherent loss of revenue to several members led to difficult fiscal situations in those states. By 1991, arrears to the secretariat and to the compensation fund amounted to 45.5 CFA francs, which was four times as much as the combined budgets of the institutions (Badiane, 1997). The continuing fiscal problems of member states and the growing pressure they were coming under from international financial institutions to carry out macroeconomic reforms led to their decision in 1991 to meet in Ouagadougou and forge a programme of activities to address the economic crises without necessarily having to devalue the CFA franc. The resulting programmes for budgetary and fiscal policy harmonisation led to the institution of several arrangements for regional banking commissions, the harmonisation of legislative and regulatory frameworks to govern economic and social activities, including social insurance and business law, etc. The plan was to go further and develop a single financial market, a regional stock exchange and a free trade zone. Thus, the preparatory work for launching UEMOA took place between 1991 and 1994. By 1994, a number of the institutions agreed on in Ouagadougou had been established and had become functional, but the idea of avoiding devaluation had had to be abandoned in view of continuing economic crises and increasing pressure from multilateral development agencies. Thus, on the eve of the member states' meeting in Dakar in January 1994 to formalise the institutional developments that had taken place over the three-year period into a treaty, the 50 per cent devaluation announcement was made.

Table 2. Selected Economic Indicators of ECOWAS Countries

Country	Aid (% of GNP) 1998	FDI net inflows (% of GDI) 1999	GDP growth (annual-average %) 1990-99	Gross domestic savings (% of GDP) 1999	Exports of goods and services (% of GDP) 1999	Imports of goods and services (% of GDP) 1999	Industry, value added (% of GDP) 1999	GNP (Billions of Dollars) 1999	Population (Millions) 1999	Population density (people per square km)
Benin	9.2	1	4.7	8	21	33	14	2.3	6.1	51
Burkina Faso	15.5	0	3.8	10	12	29	27	2.6	11.0	39
Cape Verde	29	8	5	-7	--	64	18	0.5	0.4	97
Côte d'Ivoire	7.6	1	3.7	25	44	38	24	10.4	14.7	45
Gambia	--	--	--	--	47	--	--	0.4	1.2	115
Ghana	9.6	10	4.3	4	32	38	25	7.4	18.9	77
Guinea	9.8	5	4.2	17	23	22	36	3.7	7.2	28
Guinea Bissau	68	2	5	1	5	32	11	0.2	1.1	39
Liberia	--	--	--	--	56	--	--	--	3.0	29
Mali	13.5	3	3.6	8	22	36	17	2.6	10.9	8
Mauritania	17.8	2	4.1	12	39	62	29	1.0	2.6	2
Niger	14.4	0	2.5	4	15	22	17	2.0	10.5	7
Nigeria	0.5	23	2.4	0	17	11	62	37.9	123.9	126
Senegal	10.8	5	3.2	14	34	36	25	4.7	9.3	44
Sierra Leone	16.2	6	-4.8	-2	14	31	24	0.7	4.9	65
Togo	8.6	0	2.5	6	32	38	21	1.5	4.6	78

Source: The World Bank (2000), World Development Report 2000/2001.

The Dakar treaty gave birth to UEMOA. The major difference between this and CEAO is that the former has a more comprehensive objective that seeks to create opportunities for even the smaller members in a single market for goods and services as well as in the delivery of public goods. One of the best known initiatives of UEMOA has been the institution of Common External Tariff rates for all member countries in January 2000. This then imposed, by default, a higher tariff on goods from all non-UEMOA countries, including ECOWAS countries. It is interesting, however, that there is currently no indication of this development having improved the fiscal situation of member states. In the first year of operation, i.e., in 2000, lower public revenues were recorded by member states partly as a result of the loss of tariff revenues in some countries following compliance with the CET. To compensate for the loss of tariff revenues, several countries, including Mali and Senegal, introduced a value-added tax in the same year. This would suggest considerable difficulty in the coming years in the operation of the CET, and indeed of many of the other protocols agreed.



### III. OUTCOMES OF INTEGRATION EFFORTS IN WEST AFRICA

The share of intra-ECOWAS trade grew marginally from 3 per cent in 1975 to 6 per cent in 1991 and, despite the simultaneous decline of the region's participation in world trade, it has remained at that level ever since (Table 3). Hence there appears to be consensus that the high expectations placed on integration in West Africa have not been matched to any perceptible degree by results in terms of trade and economic performance (Bundu, 1997). This however seems to contradict the observation that intra-African trade levels are "actually higher than expected on the basis of the underlying determinants" (Foroutan and Pritchett, 1993, p. 96). They found that the CEAO had a statistically significant impact on intra-regional trade, while ECOWAS did not. Jebuni, Ogunkola and Soludo (1994) also indicated that integration had a positive, although small, impact on intra-ECOWAS trade.

**Table 3. Trade Statistics in West Africa (1970-98)**

	1970	1975	1980	1985	1990	1998
<b>ECOWAS</b>						
Intra-Regional Exports	2	3	3	5	5	5
Participation in Total World Exports	1.05	1.45	1.62	1.08	0.68	0.33
Intra-Regional Imports	2	2	3	7	7	6
Participation in Total World Imports	0.94	1.27	1.36	0.67	0.59	0.41
<b>CEAO</b>						
Intra-Regional Exports	6	7	6	7	7	7
Participation in Total World Exports	0.29	0.24	0.29	0.26	0.16	0.13
Intra-Regional Imports	5	7	6	7	8	8
Participation in Total World Imports	0.29	0.30	0.34	0.23	0.18	0.14
<b>MRU</b>						
Intra-Regional Exports	0.2	0.3	0.6	0.4	0.01	0.02
Participation in Total World Exports	0.13	0.08	0.07	0.06	0.08	0.01
Intra-Regional Imports	0.2	0.4	0.7	0.6	0.02	0.02
Participation in Total World Imports	0.11	0.08	0.06	0.04	0.14	0.12

Source: Lyakurwa *et al.* (1997); IMF (various years), *Direction of Trade Statistics*.

Results have hardly been any better in the area of infrastructure and natural resources development, which seems to have the characteristics of a "win-win" undertaking. Co-operation in energy supply is relatively little, even though a regional grid connecting national networks could be set up at a reasonable cost (Robinson, 1996). The most successful initiative so far is the agreement between Ghana, Togo, Benin and Côte d'Ivoire which allows Ghana to sell hydro-electric power to the other parties when their supply falls below a stated threshold level. Ghana can also import from Côte d'Ivoire in times of need. While the potential for mutually beneficial co-operation in the areas of water and transport is generally acknowledged, that has been little effort to tap this potential (Bundu, 1997).

The production base of African economies remains skewed towards primary products and a limited range of consumer goods with little or no inter-industry linkages, a situation which effectively reduces the potential for intra-regional trade. Within ECOWAS, in particular, manufactures dominate imports of member countries, accounting for approximately 70 per cent of the total. Very little growth in intra-regional trade has translated into very little structural impact on economic

performance (Jebuni, 1998). The following sections analyse the experience of ECOWAS in specific areas of operation.

### **Trade Expansion Programme**

Despite the priority attention given to the promotion and development of intra-community trade, the ECOWAS trade liberalisation scheme has been marked by the unwillingness of many countries to implement its provisions relating to elimination of tariff and non-tariff barriers to trade and the functioning of a compensation mechanism . This is reflected by:

- difficulties in standardising and harmonising customs documents and tariff schedules;
- failure to extend total exemption from duties and taxes for unprocessed goods and traditional handicraft products;
- failure to apply preferential tariffs to approved industrial products;
- continued existence of non-tariff barriers, especially in the case of food and textiles;
- absence of certificates of origin for unprocessed goods and for industrial goods, and failure to produce both the certificates of origin and the export declaration;
- stringent rules of origin which often exclude the bulk of manufactured and agricultural products produced by member states from the Community's trade liberalisation programmes;
- problems in balancing the distribution of benefits and costs of economic integration;
- failure to pay up contributions to the compensation budget;
- little awareness by the public of the scheme's potential benefits;
- rigid border formalities and customs officials' intransigence.

### **Integration of Production Structures**

Efforts towards co-operation in agricultural and industrial development have been constrained by the opposition of member countries to entitle ECOWAS with some form of control over the structure and content of their development plans. Delayed harmonisation of sectoral policies in agriculture, industry, transport, and energy, and no basic studies for the formulation of such policies, have also translated into very little progress in the integration of production structures.

### **Infrastructure Development**

ECOWAS has completed 83 per cent of the Trans-Coastal highway, 88 per cent of the Trans-Sahelian highway, paved 67 per cent of the interconnecting roads,

and established limited telecommunication links among countries. Nonetheless, the obstacles ahead are daunting, to say the least:

- satisfying the demand for infrastructure services, particularly in the areas of electricity, water supply, transport, telecommunications, sea ports and airports;
- acquiring a certain minimum technical capacity to identify and promote specific infrastructure development projects, including the capacity to undertake feasibility studies;
- securing external financing for the implementation of large-scale infrastructure projects at the sub-regional level.

### **Monetary and Financial Integration**

Adopted in 1987, the ECOWAS monetary co-operation programme was intended to achieve, in the medium-long term, the convertibility of West African currencies and the creation of a single currency by the year 2000. What has been achieved so far is much more modest. The West African Clearing House (WACH) has been transformed into a West African Monetary Agency (WAMA), a Credit Guarantee Fund for the WAMA clearing and payments mechanism has been introduced, and, particularly, West African travellers' cheques have been issued since late 1998. Further progress in achieving a common currency has been constrained by the severe macroeconomic conditions in member states.

### **Regional Peace and Security**

ECOWAS partners have undertaken a number of initiatives to maintain and consolidate peace, stability and security within the region, such as the operations of the ECOWAS Peace Monitoring Group (ECOMOG) in Liberia, Sierra Leone, and Guinea Bissau (see below). The framework for such activities has recently been reinforced by the adoption of a permanent Mechanism for Conflict Prevention, Management and Resolution, including protocols establishing a regional mechanism for mutual assistance in defence matters. The legal framework provides for:

- promoting close co-operation and good neighbourliness as evidenced in the 1984 Quadripartite Agreements reached by Ghana, Benin, Nigeria and Togo on Police Co-operation, Extradition and Mutual Administrative Assistance in matters relating to Customs, Immigration and Trade;
- maintaining periodic and regular consultations with border administration authorities;
- concluding bilateral trade and economic agreements, and establishing Permanent Joint Commissions with countries in the sub-region.

### **Free Movement of Persons and Rights of Residence and Establishment**

For reasons of national security, public order and protection of the labour market, prior to the creation of ECOWAS most West African countries operated

expatriate quota schemes and imposed entry visa requirements. Some bilateral agreements, however, already allowed for free movement — such as that between Ghana and Togo or the exchange of notes between Nigeria and Côte d'Ivoire in November 1964 on visa abolition. This picture has been modified by the ECOWAS protocol on free movement of community citizens in 1992, which established the rights to:

- enter any ECOWAS member state without visa;
- reside and seek employment anywhere in the region;
- establish a business or enterprise in any other member states under existing laws applicable to nationals;

Although all three phases of the protocol have been ratified and come into force, free movement of persons and development of intra-community trade are still impeded by:

- cumbersome procedures at border posts, involving considerable delays for travellers;
- numerous illegal road blocks along West African highways;
- possible extortion, requests to produce unnecessary documents, and demand for illegal levies;
- national regulations in several member states which run contrary to the provisions of the ECOWAS protocol;
- failure of ECOWAS visitors to regularise their stay.

More in general, despite the existence of various protocols little attention is paid to socio-economic issues unless there are specific problems to be tackled. Thus, for example, while there is hardly any reliable data on the movement of populations within ECOWAS, most countries tend to believe that immigration is a severe problem. And indeed such perceptions underlie a number of social tensions in member states, as reflected by occasional mass deportations in Nigeria or the attacks on Burkinabese migrants in Côte d'Ivoire. Also, the Anglophone-Francophone divide accentuates divisions in educational systems, making it impossible to achieve uniformity and comparability of educational outcomes, and hence academic qualifications.

## IV. CONSTRAINTS ON FORMAL REGIONAL INTEGRATION

The difficulty in implementing ECOWAS treaties is the most widely cited obstacle to integration. A study of Ghana's trading relationship with other ECOWAS states concluded that "a wide range of barriers makes even this low level of regional trade difficult to achieve and frequently uncompetitive. Market knowledge is inadequate and accurate tariff and technical data is hard to obtain. Trade finance is poorly developed and expensive. Language differences, harassment at borders and road-blocks discourage many entrepreneurs and add to the costs. The ECOWAS Secretariat has few powers to force governments to implement trade liberalisation measures. Ten different currencies are in use, but most are not accepted in international trade, and the West African Clearing House is unable to prevent serious delays in settling payments between some member states" (CTA, 1992, p. 14). More in general, constraints on intra-regional trade include the inconvertibility of member currencies and difficulties in establishing letters of credit, inefficient and costly transport and communication links, differences in national product or service regulations and standards and the lack of information about the existence of potential buyers and sellers in partner countries.

Despite reforms since the early 1990s, the above litany of problems is still heard as a result of a number of unchanged attitudes and occurrences prevalent in domestic policies and permeating into ECOWAS structures and functions. These are reflected in the multiplicity of objectives of ECOWAS, some of which conflict with the publicly stated foreign-policy objectives of member governments, as well as in the overlapping membership in formal arrangements, which makes it difficult for member states to harmonise their interests. Various characteristics of the formal structure of ECOWAS act as constraints to its overall performance:

*Multiple Objectives* In addition to trade integration, ECOWAS is concerned with the harmonisation of agricultural, industrial, transportation, energy, fiscal and monetary policies. Different member countries remain at different levels of development with regard to each of these areas and attach different degrees of importance to each objective. This partly explains the need for them to join other formal integration arrangements that seek to meet what they perceive to be more important goals.

*Overlapping Membership* The problem with countries belonging to several formal arrangements is that they are often forced to deal with conflicting objectives, as happens with ECOWAS and UEMOA<sup>5</sup>. The latter has a far more cohesive nature, partly reflective of its undeclared objective of countering Nigeria's domination of ECOWAS. Another problem is the duplication of effort. The effectiveness of one grouping tends to be undermined by the existence of the other as the limited financial resources of members cannot meet all requirements, and technical expertise in this poor region gets stretched to its limit. The current two-track approach being pursued by Ghana and Nigeria may be seen as an attempt to reduce the impact of the conflicts on the achievement of the broader goals of ECOWAS.

*Absence of Strong Supra-National Institutions* As indicated earlier, the ECOWAS Secretariat has little authority to force governments to implement trade liberalisation and other integration measures. Most countries, for example, have

accumulated huge arrears in the payment of dues. The resulting lack of transparency in the implementation of the treaties leads to mutual mistrust — since there are no effective sanctions against member countries whose domestic policies conflict with the articles of agreement — and provides little incentive to abide by other protocols. Even where the penalties are spelt out (as is the case with the revised ECOWAS treaty), they may be perceived to be lower than the benefits of abiding by them. The Secretariat is further weakened by its capture by vested interests.

*Non-Implementation of Harmonisation Provisions* Very limited progress has been accomplished in harmonising tariff codes and classifications<sup>6</sup>. The main reason for this has been the unwillingness of countries to subordinate their national liberalisation effort to regional objectives. An example of the national objective of import-substitution hampering the effective implementation of trade liberalisation was the operation of the *Taxe Unique* within UDEAC. Under this system, products from the region should be subject to the same tax rate irrespective of their source. However, because of the import-substitution objectives of various countries, discriminatory tariffs were imposed which often varied by product and by firm for various countries in the grouping. Obviously, national trade policies were at odds with the requirements of regional integration.

*Lack of Political Commitment* An oft-mentioned reason for ECOWAS problems is the lack of political commitment (Bundu, 1997). Shaw (1990) attributes this to the fact that countries have widely-different political ideologies and external alliances. He also observes that there is a basic problem of incompatibility between established political economies and ruling classes. He suggests that these are outward-oriented towards extra-continental integration, thus making intra-continental connections remain undeveloped and unimportant. The formation of CEAO at the same time that ECOWAS was being negotiated is a manifestation of that problem, and so is the evolution of UEMOA. McCarthy (1996) suggests that this may be due to concerns about the distribution of gains from integration. He suggests that poor willingness to cede sovereignty on important issues cannot be divorced from concerns about material benefits. Member countries are more likely to give up sovereignty if there are tangible benefits to be obtained in return, but such gains will be unequally distributed — not only in terms of size but also in respect to timing — so that countries on the losing end expect equity issues to be dealt with effectively at the initial stages of the negotiations. The inadequacy of distributive measures may stem from a fundamental uncertainty about whether the expected gains will indeed materialise. Countries which perceive themselves to be losers desire to reduce the costs of integration as much as possible and potential gainers are unwilling to concede much in case there is not much to distribute<sup>7</sup>.

*Inadequate Compensation Mechanisms* It has been suggested that, even if ECOWAS operated a free trade area, intra-regional trade would not increase dramatically because of the clauses introduced to safeguard the interests of the weaker countries and reduce the cost of integration (McCarthy, 1996)<sup>8</sup>. The compensation mechanisms are very rigid<sup>9</sup> and it is not clear how the expected revenues are to be calculated. The methodology also assumes that the structure of revenues cannot be changed. A distortion can be created in the exporting country if domestic taxes must be raised in order to finance these payments. The dependence of most ECOWAS

Treasuries on international trade taxes and the fear that this source of revenue may be reduced if integration programmes are implemented might explain slow reduction in tariff barriers and the structure of the compensatory mechanism.

## V. RECENT DEVELOPMENTS

The most notable occurrence in the 1980s and 1990s has been the adoption of economic reform programmes, later followed by political liberalisation in several countries, and accompanied in several instances by other institutional reforms. While most countries have pursued economic reforms, the speed and depth of their effort has differed greatly, resulting in a multiplicity of outcomes not necessarily commensurate with the effort and resources committed to such reforms. The variations in the extent of reforms have significantly affected cross-border interactions.

### **Changing Economic Policies and Unchanging Economic Fortunes**

Institutional integration can influence economic performance only if country-specific macro-economic and sectoral development approaches do not diverge significantly. The reforms of the 1980s, however, were pursued without due attention being paid to this issue (Mistry, 1996). Badiane (1997) has indeed noted that “past economic integration efforts in West Africa have relied overwhelmingly on institutional mechanisms, ranging from negotiated tariff concessions and compensation schemes to the establishment of joint institutions for research, training and transportation. These arrangements can contribute to the integration of national economies but cannot do so in the absence of supporting and coherent macroeconomic and sectoral policies at the individual country level that ultimately determine the ability of individual countries to trade with each other” (p. 151).

West African countries started structural reforms from quite contrasting macroeconomic situations. Many of them have a long track-record of macroeconomic instability. Behind high tariff walls and over-valued exchange rates, inward-looking policies led to significant shifts of the costs of import-protection on the shoulders of exporters in the form of reduced real prices for their products. Oyejide (1986) has shown several instances in which exporters were ‘taxed’ heavily as a result of import-protection. It is estimated that the level of implicit taxation of exports in Nigeria was 55 per cent to 90 per cent in the 1980s and insignificantly lower in Benin and Burkina Faso. Implicit taxation often resulted from overvaluation of domestic currencies: in Ghana, for instance, the currency was overvalued by 30-to-70 per cent in the 1980s (Strycker, 1993), while Senegal’s currency was overvalued by 51-to-64 per cent in the same period (Salinger and Strycker, 1991).

In the reform effort, countries have used trade policy as a substitute to a comprehensive macroeconomic policy adjustment which would have required significant exchange rate realignment<sup>10</sup>. The active use of trade policy instruments — including their constant revision as short-term macroeconomic tools — has, however, proved incompatible with regional integration. This requires stability of trade policy instruments, harmonisation of tariff codes and removal of quantitative import restrictions in order to encourage cross-border investments and trade. Domestic macroeconomic policies have adversely affected regional integration by leading to the development of costly production structures, draining scarce foreign exchange. Strycker *et al.* (1997) have observed that “the actual structure of production and trade



within the region does not follow (the) pattern of comparative advantage". They suggest that unco-ordinated trade, exchange rate and agricultural pricing policies have led to a distorted incentive structure that encourages the inefficient allocation of productive resources and other wasteful activities, including smuggling and other forms of rent-seeking behaviour. Agricultural pricing policies, for example, vary extensively, resulting in very different producer prices for crops in different countries as well as in the application of subsidies in some countries. Such discrepancies are known to lead to substantial unrecorded cross-border flows. A good example is the parallel market in imported rice.

Mistry (1996) has suggested that the variation in intensity, sequencing and scope of reforms has had a significant negative impact on the outcomes of both the reform process and on the objective of regional co-operation and integration. "It is astonishing [...] that while SAPs have become a feature in Africa since 1985, and (regional integration arrangements) have been pursued with renewed vigour especially over the last five years, there has been no serious, systematic attempt by any agency or donor to operationalize effectively ways in which integration and adjustment might be interwoven and made mutually reinforcing" (p. 2).

Of particular interest is the nature, pace and outcome of reform in Ghana and Côte d'Ivoire, countries that share a 668 km-long border. Ghana pursued a very comprehensive economic reform programme between 1983 and 1992, after which it began to relax its orthodox approach while still arguing it had not abandoned structural adjustment. At the height of the Ghanaian reforms, the liberalisation of all economic policies became a major strategy, pursued at relatively great speed. Liberalisation covered the trade sector, the exchange rate, interest rates, the organisation of the financial market and the determination of monetary policy, and eventually the labour market. In contrast, Côte d'Ivoire approached policy reform with more circumspection, probably because its entry point was not as bad as Ghana's in terms of economic performance. Even though the country started implementing SAPs in the mid-1980s, the devaluation of the CFA Franc did not take place until 1994, almost a decade after Ghana had liberalised its exchange rate regime. Trade liberalisation was also rather slow and far less comprehensive than in Ghana. On the other hand, the privatisation of financial institutions was more radical and occurred earlier than in Ghana. The lack of co-ordination, both within each country as well as at the regional level, caused domestic policies to have adverse effects on neighbouring countries. Thus, for example, the shortage of foreign exchange in the two years before devaluation prompted Ivorian money traders to travel to Ghana to buy foreign currency in the highly-liberalised market, further accentuating the growing demand for such currency in Ghana and hurting further the stabilisation process there. Another example of disharmony in reform policy is the fact that the devaluation of the CFA franc took place at about the same time as the Nigerian Naira was being revalued by a similar margin. The Naira revaluation was made necessary by the continuing over-valuation of the CFA Franc, which made it convenient to re-export imported goods, as well as oil products, from Nigeria to neighbouring countries for sale on the parallel market. The flow of Senegalese groundnuts to Gambia for re-export is also quite well documented (Meagher, 1997).

To sum up, while reforms have led to substantial improvements in the domestic policy environment, they have been far less successful in eliciting adequate supply response and in increasing recorded cross-border transactions. This partly

results from the limited co-ordination of different approaches to reform as well as other structural constraints to production, including inadequate infrastructure, scarce credit and poor labour skills.

### **Institutional Developments and their Impact on Cross-Border Interactions**

In 1991, African heads of state and government signed the Treaty of Abuja, setting the goal of achieving the African Economic Community. In this context the ECOWAS Secretariat has become involved in an increasing number of initiatives often in partnership with private sector organisations.

West African regional integration has been marred by the unwillingness of states to cede aspects of their sovereignty in return for greater effectiveness and relevance of the institutions that they themselves have created (Bundu, 1997). The unwillingness was amply reflected in the denial of any sanctioning authority for the ECOWAS Secretariat in the event of member countries' not respecting their statutory obligations. Under the revised Treaty, the powers of the ECOWAS institutions and the Executive Secretary were enhanced to reflect the new priority the governments attached to regional integration. This provided for a court of justice, as opposed to a community tribunal, that was given some sanctioning powers. A West African parliament to ensure political co-operation is also envisaged<sup>11</sup>. The new Treaty also calls for a greater involvement by sector ministers in the decision-making processes, so that national bureaucracies have a direct link to the ECOWAS Secretariat, and not only through finance ministries. The revised treaty provides for existing inter-governmental organisations to be re-structured by sector to act as specialised agencies of the Secretariat. Unfortunately, almost a decade after the rationalisation process was agreed, there is still a large duplication of efforts (Bundu, 1997). For example, there is still a relatively large number of regional agricultural development and water basin resource development projects that have little relationship with the ECOWAS Secretariat, This reflects the continued strength of the other sub-regional co-operation organisations, namely UEMOA and MRU (Bundu, 1997).

A major outcome of the reform of ECOWAS has been increasing inter-government consultation. Regular discussions are now held among ministers of finance and economic planning to achieve greater harmonisation in macro-economic policies and structural adjustment programmes, as well as on debt issues and relations with the European Union. The possibility of a sub-regional structural adjustment programme has also been aired, even though not much has come out of this initiative.

Central bank governors have also established a forum for discussing monetary integration issues on a regular basis. Annual assessments showed that the original criteria did not contribute to establishing a credible economic and monetary union. Consequently, the Council of Ministers, at its forty-third session in Abuja in October 1998 requested the ECOWAS Secretariat and WAMA to validate the selections and to adjust and expand the convergence indicators. In Lomé in December 1999 the target date was shifted to January 2004 and a set of convergence criteria was approved. Primary criteria include:

- a ratio of budget deficit (excluding grants) to GDP lower than 4 per cent by the year 2002;

- an inflation rate no higher than 5 per cent by 2003;
- Central bank financing of budget deficit limited to 10 per cent of previous year's tax revenue by 2003;
- gross external reserves representing not less than six months of imports by 2003.

The secondary criteria are:

- prohibition of new domestic arrears and liquidation of all existing arrears;
- tax revenue/GDP ratio equal to or more than 20 per cent;
- wage bill/tax revenue equal to or less than 35 per cent;
- real exchange rate stability;
- positive real interest rates;
- public capital expenditure/tax revenue ratio of at least 20 per cent.

The member states will be required to formulate pluri-annual convergence programmes and submit performance report every six months. The multilateral surveillance mechanism policies for the harmonisation of macroeconomic policies comprises a political body — the Convergence Council, composed of Ministers of Finance and Governors of Central Banks — and the Technical Monitoring Committee. The WAMA and the Executive Secretariat will ensure the compatibility of all the multinational convergence programmes, while progress is being made to harmonise the methodology for data collection.

The current flurry of activity to accelerate the realisation of a common currency for West Africa suggests that this may be an area in which policy-makers are prepared to relax their opposition to the “variable geometry” approach suggested by Collier and Gunning (1995). Opposition to this approach was based on the understanding that it run counter to the principles and ideals of the African Economic Community, which refers to the equality of nations and the shared purpose in integration. The fear was that variable geometry could lead to the exclusion of some countries and to the division of the continent into sub-regions dominated by external influences. The creation of UEMOA was seen as one such example. While supporters have referred to it as an attempt to quicken the pace of monetary union, opponents consider it instead as a tool to serve sectional interests (Lavergne and Daddieh, 1997).

The difficulties encountered in pooling together a sufficiently large number of countries to participate evenly in the implementation of ECOWAS treaties is forcing member countries to re-think the issue of variable geometry. At the 1999 Lomé Summit, President Obasanjo suggested that non-UEMOA ECOWAS countries, led by Nigeria and Ghana<sup>12</sup>, could get together to form a separate currency zone. Nigeria and Ghana — which account for almost 60 per cent of the sub-region GDP — have agreed to work toward the establishment of a single currency by the end of 2001<sup>13</sup>.

Ghana's collaboration with Nigeria illustrates some new dimensions of power relations in the sub-region. Ghana seems to be placed in a rather unique position. Prior to the announcement of the collaboration with Nigeria, there was growing speculation about the possibility of Ghana joining the CFA Franc zone (Aryeetey, 1998); The expected benefits were based on the possibility of the French Treasury acting as an “agency of restraint” on the Ghanaian authorities’ “right to self-

destruction”<sup>14</sup>. While Ghana and Nigeria have been traditional anglophone partners in the sub-region, this relationship has never been translated into greater priority being attached to the bilateral relationship. The current stimulated relationship is driven more by a felt urgency to respond to the perceived lack of interest from the Francophone partners, at the behest of France, in faster integration. It is expected to provide a wake-up call to the Francophone partners. Ghana is perceived to be pulled in separate directions by different political pressures, but the lack of an open debate suggests that whichever way the country chooses to go the final decision will be a matter of diplomatic and political convenience, rather than a well-thought out strategy.

It is also interesting to observe that while the creation of the World Trade Organisation gained the attention of most countries during the preparatory arrangements in the early part of the 1990s, the regional integration arrangements of the sub-region had no specific pre-agreed positions during the negotiations. This was despite the fact that almost all countries were already members of GATT. African countries concentrated on maintaining trade preferences, even when their marginal effectiveness was being reduced by global reductions in MFN tariffs. While the ECOWAS Secretariat had drawn attention to the need for member countries to consider the wider implications of the proposed Millennium round, individual countries appear much more worried with their own positions, a quandary which became apparent at the WTO Libreville meeting of November 2000. Despite this meeting’s objective being to draw out a common African position on multilateral trade negotiations, ECOWAS countries arrived in Libreville in dispersed orders — and so they left.

## **Political Transformations in West Africa**

One reason often cited for the low level of commitment to the development of supranational authorities is the absence of a culture of power-sharing in the modern structures of politics in Africa (Adewoye, 1997). In the past, constitutionalism was relatively weak in ECOWAS countries operated under military dictators that needed to personally protect themselves against other organised groups. “Politically, a system of governance that is devoid of defined mechanisms and structures of representation or participation undermines the kind of consistent political commitment and long-term legitimacy that regional integration demands, because a change of ruler is sufficient to undermine agreements arrived at by his predecessor. Concentration of power also makes it difficult to promote healthy inter-governmental relations other than the very top” (Adewoye, 1997, pp. 328-9). Jebuni (1998) has argued that a large part of the weakness and ineffectiveness of ECOWAS prior to the revision of the Treaty was due to “weak domestic governance and a legalistic approach to regional integration” (p. 489).

The most notable of the military dictatorships was that of Nigeria. In a large country with diverse ethnic and religious interests, the perpetuation of military rule gave little opportunity to create structures for negotiation, leading to repeated episodes of civil unrest and repression, and a poor performance of the economy. The corruption associated with military rulers further undermined the credibility of public action and worsened the response to any reform in economic policies. As indicated earlier, Nigeria’s poorer neighbours in particular Niger and Benin, were severely hit

by the poor performance of their largest trading partner. Embroiled in struggles for domestic legitimacy, successive military governments showed little interest in the socio-economic aspects of regional integration. With Nigeria's eroded position as an economic power, the only avenue open for it to reaffirm its sub-regional leadership has been through regional military intervention in Liberia and Sierra Leone under the umbrella of ECOMOG. Summing up, the lack of sound political structures in Nigeria affected negatively West Africa's economic performance and the achievement of sound structures for regional integration

Since the early 1990s, in many countries (Benin, Niger, Mali and Ghana) military dictatorships have been forced to give way to elected civilian regimes. Nigeria had to wait until 1999 for its turn and new civilian leaders also assumed power in Sierra Leone and Liberia. While the progress in democratisation in these two countries, as well as in the Gambia and Niger, has been slow at times, it nevertheless reflects the prevalent mood in the sub-region in the 1990s. The most significant upset in this process of democratisation has been the successive coups d'état in Côte d'Ivoire in 1999 and 2000. It is not yet clear what will be the implications of these events for regional integration, especially in UEMOA in which Côte d'Ivoire accounts for almost two-thirds of the overall economic activity.

The election of a new civilian regime in Nigeria has been very welcome in view of the stability it promises to bring to West Africa. Indeed a stable Nigeria has been seen to be necessary for stability in the rest of the sub-region (Lavergne, 1997). The general expectation is that FDI to Nigeria will increase, leading to higher economic growth which will then spill over to the rest of the region through an increase in the demand for both goods and labour. Unfortunately, the stability of Nigeria is under threat from several internal sources. Principal among these is the ethno-religious divide that undermines relations between the North and the West of the country. Recent manifestations include the attempt to introduce Shari'a law into some Northern states, against the sentiments in the rest of the country and the directions of the central government, as well as the ethnically-caused tensions that regularly flare up in Lagos from time to time, A further element of uncertainty is added by heated discussions over the allocation of oil revenues for development projects in some Eastern states.

Are Ghana and Côte d'Ivoire well placed to provide the stability and leadership that have not been forthcoming from Nigeria? In the 1990s, the two countries seemed to be gaining the credibility for playing this role. Any such hopes, however, have been crashed by some setbacks, the most notable of which remains the *coup d'état* in Côte d'Ivoire. Prior to the military take-over, the tension over the nationality of the main opposition leader had begun to take its toll on the economic management and to affect relationships with other ECOWAS members, particularly Burkina Faso. If anything, the coup has shown how vulnerable even an apparently stable economy is to political confusion. As its neighbour Ghana, Côte d'Ivoire suffered from the steep decline in the price of its major export, cocoa, in the second half of 1999. Ghana's situation was worsened by the fluctuations in the price of gold at the same time as world oil prices were rising. This has had a considerable impact on macroeconomic performance and made it more difficult meeting the conditions for convergence agreed within ECOWAS. In short, the region is lacking in strong leaders whose political and economic structures provide useful examples to smaller and/or weaker economies.

What is clearer, on the other hand, is that the wind of political change blowing through the sub-region is responsible for the increasing discussion among ECOWAS members on a number of issues indicated earlier. The new governing institutions allow for pluralism and tolerance in decision-making. In various countries, civil society organisations have taken a prominent role in dialogue with the private sectors and the governments. The increased legitimacy of West African governments has also made it easier for them to make more credible commitments to community initiatives, as seen with the current movement on monetary integration, but there is still ample testimony of remaining hurdles, such as the unnecessarily large number of police and customs check points on roads maintained by both civilian and military regimes. The main outcome is that the carting of goods and the movement of persons from one country to another has not been affected by the wind of political change. It is no wonder that trade figures do not show any positive change in the last decade.

## VI. NEW ATTITUDES TO REGIONAL INTEGRATION

The new urgency surrounding regional integration largely stems from the fear of marginalisation in a world that is increasingly globalising and yet doing so around regional blocs (Aryeetey, 1998). Notwithstanding the drive towards more sophisticated formal agreements, however, considerable scepticism still remains about the success of regionalism (Jebuni, 1998; Lyakurwa *et al.*, 1997). Against the background of this mixture of hope and scepticism, more recent initiatives have tried to find new means to secure private sector involvement. This section addresses this issue by discussing the role of the private sector in joint infrastructure development and capital markets development, as well as the record of regional security initiatives (Ecomog).

### Private Sector and Other Non-Governmental Bodies

It is a well-known fact that in Africa economic policy has not actively encouraged private enterprise. In addition, integration arrangements were negotiated amongst leaders of authoritarian regimes and there were few transparent channels through which the opinions of the general public could be taken into account. As a result, the private sector often showed unwillingness to invest time and resources to participate in the trade liberalisation programmes. At most, only some privileged groups with easier access to policy-makers lobbied for maintaining, when not increasing, their rents.

An example of the more recent institutional developments aimed at strengthening private sector participation in intra-regional business is the West African Enterprise Network (WAEN). Established in 1993, with head offices in Accra, this is a regional association of 300 business people from 12 countries in West Africa — nine Francophone ones (Benin, Burkina Faso, Chad, Côte d'Ivoire, Guinea, Mali, Niger, Senegal and Togo) and three Anglophone countries (Gambia, Ghana and Nigeria). The network has grown from being informal association of 35 members in seven countries to a formally chartered organisation where objectives are “to improve the business climate in West Africa and to promote cross-border trade and investment in the region”. The network membership is made up of second-generation West African entrepreneurs who have invested their equity in their own enterprises. While the network suggests that membership is selective in order to ensure unity of purpose, it encourages each national network to diversify sectoral representation.

In addition to publishing a quarterly bilingual newsletter and a monthly bulletin of business opportunities, the WAEN has organised three major regional events in Accra and Abidjan<sup>15</sup>. The conferences sought to address a number of obstacles to private sector development in West Africa, including insufficient dialogue with governments, low levels of national entrepreneurial capability, and inadequate means for financial restructuring. While the initiative of the network seeks to complement the work of ECOWAS, the network maintains close ties with several international agencies. It enjoys considerable support from a number of international sources. This has allowed it to project an image of independence, turning it into a credible institution encouraging regional integration. It is working closely with

ECOWAS and UEMOA on banking and trade issues. It is difficult to quantify the impact of the network on regional co-operation. Discussions with members suggest that the network is very effective in bringing to their attention opportunities for cross-border trade. Their own production difficulties have, however, often made it difficult for them to take full advantage of such opportunities.

The African Business Round Table (ABR) is a continent-wide private sector organisation whose objectives are quite similar to the WAEN. The organisation seeks to promote dialogue between governments and private sector operators in the pursuit of good governance and democracy. Its members are involved in such activities as banking, communications, telecommunications, international transport, agro-industries, agri-business, pharmaceuticals, fishery, insurance, minerals, petrochemicals and construction. The organisation receives support from the African Development Bank, the United Nations Development Programme, the United Nations Industrial Development Organisation, and the United States Agency for International Development. As in the case of WAEN, it is difficult to establish the real impact that the ABR has made on transactions in the sub-region. Again, some members have indicated that it has provided them with an opportunity to network with other African businessmen and women. By discussing common problems it has been also possible to identify ways of lobbying governments. Operating alongside these organisations are the Federation of West African Chambers of Commerce, the Federation of West African Manufacturers Associations, the West African Banks' Association and the Union of West African Road Transporters. The formation of all these bodies was encouraged by ECOWAS. There is currently significant indication that ECOWAS recognises the need for non-formalised integration arrangements to proceed alongside formalised ones.

While trade unions are active in most countries, and operate under the umbrella of the Organisation of African Trade Unions (OATU), there is little indication of them playing an active role in such 'decentralised' system of integration. There are a number of non-governmental networks active in human rights issues, including the Third World Network, that has its head office in Accra. They have campaigned as spokespersons for the sub-region and Africa on many international economic and social issues.

## **Joint Infrastructure and Other Projects Development**

While there are strong reasons to expect joint projects to be important in West Africa, the track-record has been quite negative in terms of cost, quality, and long-term viability (The World Bank, 1989). An often cited example of the early attempts to develop projects on a sub-regional basis is the CIMAO project for clinker production for the cement industries of Togo, Ghana and Côte d'Ivoire in the early 1980s. The project was initiated with support from the World Bank and the German Government but closed down only a few months after it started operating. Demand was far lower than anticipated while costs proved unusually high, making the clinker more than twice as expensive as on world markets (Lavergne and Daddieh, 1997). Another problem was the inability to agree on a management structure that could meet the peculiar demands of each partner. Similarly, the attempt by Nigeria and Benin to develop joint sugar and cement industries failed following Nigeria's closure of the border in 1984.



Robinson (1996) identifies various reasons why in the past countries have often opted to act alone. He suggests that “the benefits of regional co-operation have not always been quantified and have not been fully understood and appreciated by the governments involved”. Furthermore, the framework of analysis incorporating trade options and implications for future investments are often beyond the grasp of national governments’ institutions. Nationalism has played a significant role in subverting co-operation in infrastructure development and resource mobilisation. Security is another relevant source of concern for countries, given the volatile situation within and between several countries in the 1980s and 1990s. The role of bilateral donors, particularly in the cold war days, was also not supportive in this regard, as they competed with one another for the support of specific countries. When bilateral donors got involved in regional projects, they often changed their scope, making them larger than originally intended, a development which often made it difficult for countries to effectively match the resources put into such projects. The Niger Basin Authority is an example in this regard.

Despite the negative experiences, there is still considerable interest in joint projects, largely as a result of the expected benefits from economies of scale in production. An example is the Abidjan-Ouagadougou railway line. While Air Afrique may be considered a unique experience in sub-regional co-operation insofar as it has operated for four decades despite heavy losses, the fact that many of the partners have also set up their own national airlines is testimony to the fact that countries like to go *solo*, whenever possible (Goldstein, 1999). A recent large-scale sub-regional project is the 960-km West African Gas Pipeline resulting from a World Bank study on optimal ways of using Nigeria’s flared gas resources to generate power for domestic and industrial usage. The pipeline connects Nigeria to Benin, Togo and Ghana and is scheduled to be completed at the end of 2001 and should begin to deliver gas to industrial and domestic consumers in the three countries at the beginning of 2002. It will deliver 50-160 million cubic feet of gas, of which 75 per cent will be taken by Ghana to feed its existing and planned thermal power plants. It is expected that the three countries will save about \$500 million over a 20-year period as gas replaces more expensive fuels. The new technology is also environmentally friendlier as it will reduce greenhouse gas emissions by 100 million tons.

Considering the non-committal stance of the Bretton Woods institutions to regional integration in Africa, it is remarkable that the World Bank plays a key role in the West African Gas Pipeline project. While it might support specific functional forms of regional co-operation, the Bank is opposed to large-scale integration projects that entail public management (World Bank, 1989). In line with both the new commitment of ECOWAS to involve the private sector and the World Bank’s distrust of too heavy public involvement, the pipeline is managed by a consortium of seven private and quasi-public organisations, with Chevron Nigeria Limited as the project manager.

## **Joint Capital Markets Development**

Capital markets are relatively new to West Africa. With the exception of Nigeria and Côte d’Ivoire, other stock markets were set up only in the last few years. They may be seen as a natural outgrowth of the financial reforms that have taken place in these countries (Jefferis and Mbekewani, 2001). International investors have

begun paying attention to Africa, with the establishment of specialised investment funds since 1993, currently approaching eighteen in total, which are now trading in New York and Europe.

Regionalisation is emerging as a way of addressing the thinness and scarce liquidity problem of African capital markets. In particular, the Abidjan stock market has emerged as an anchor for the CFA countries, with an increased potential to serve other countries in West Africa. This effort has encouraged discussion between Ghana and Nigeria on setting up another sub-regional exchange for anglophone West Africa. The Nigerian Stock Exchange and the Ghana Stock Exchange signed a memorandum of understanding in 1999 to ascertain the feasibility of a regionalised exchange. It is ironic, however, that while this discussion is taking place, there is new effort to start a second Nigerian exchange in Abuja. The establishment of regional securities and exchange commissions, self-regulatory organisations, and committees to promote harmonisation of legal and regulatory schemes are among the mechanisms under discussion. The tax treatment of investments has to be harmonised, since tax policy is an important incentive or disincentive both for issuers and investors. Ultimately, the regulations, accounting reporting systems, along with clearance, settlement and depository systems, should conform to international standards.

### **The ECOWAS Cease-fire Monitoring Group (Ecomog)**

Ecomog has undertaken three operations in Liberia (1990), Sierra Leone (1997) and Guinea Bissau (1999). Since the ECOWAS Treaty did not originally provide at the time for regional co-operation on political matters, peace, and security, to create Ecomog, ECOWAS had to search for a legal justification in doctrines outside the framework of the founding Treaty. Such doctrine was “solidarity achieved by consensus”. The extraordinary Bamako summit of 1990 provided that consensus and paved the way for intervention to stop the carnage in Liberia<sup>16</sup>.

Mainly as a result of this legal vacuum, Ecomog operations have been essentially run by participating countries that have participated in them, and more precisely by the country that has provided most resources in each case. Another weakness of Ecomog has been that it has never been clear whether the forces were responding to initiatives from the sub-region or from the United Nations. This was most clearly evident in Sierra Leone where Ecomog became involved in internal politics and while high-level discussion about international rights of intervention were conducted in the corridors of the United Nations Security Council. The considerable delay in intervening in Sierra Leone reflected the insecurity that many governments, particularly Nigeria, felt. The authorities in Abuja had come to power through a *coup d'état* and had an ambivalent position towards a fellow dictatorship in Freetown. The government in Ghana faced a similar problem. ECOWAS foreign ministers did not meet until more than a month after the elected government in Sierra Leone had been overthrown by the military, at which meeting they refused to commit the organisation to any specific action. They left it to their heads of state, who only met three months later, to authorise a blockade of Sierra Leone and enforce wide-ranging sanctions. In the end the direct intervention to re-install the elected government was entirely a Nigerian initiative, and the underlying motivation was never made very clear.

Frequent requests have been made by Nigeria and other participating countries to Western donors and the United Nations for assistance in funding Ecomog activities. The countries in the region could simply not afford the operations of Ecomog and, beyond a vague sense of solidarity and the fear of large flows of refugees, did not elaborate a clear doctrine on the link between regional integration and security. Lacking a clear agenda, delays in responding to problems have been unnecessarily long and Ecomog operations have been closely identified with Nigerian foreign policy's priorities. No wonder therefore that the ECOWAS secretariat (and even non-Nigerian ECOWAS chairpersons never attempted to issue directives to Ecomog). Paradoxically, Ecomog activities are generally viewed as a success — indeed one of the most successful endeavours of the community (Bundu, 1997). In a continent where wars abound, and have been always left to non-African institutions to solve, the fact that Africans were willing to sacrifice resources, even if not always efficiently, to contain conflict has been regarded as highly commendable<sup>17</sup>. It is indeed fair to suggest that one of the most important outcomes of Ecomog operations is that they brought to the fore the weaknesses of ECOWAS as a co-operative body.

## VII. SUMMARY AND CONCLUSIONS

Regional integration has a rather long history in the developing world and in West Africa in particular. For many decades, however, it delivered next to nothing. Policies were mostly an extension at the regional level of those that, to a high cost, were being implemented behind the shield of high-tariffs and an overburden and inefficient state. And what was decided on paper, at any rate, was seldom put in practice and very little happened in the sense of harmonising agricultural, industrial, energy, fiscal and monetary policies. Hence the potentially large scope for trade integration and joint infrastructure projects was not exploited, at least on formal markets. What limited progress was achieved was basically in informal trading among neighbouring countries — and this would have been realised anyway, regardless of the existence of ECOWAS and other groupings.

Some changes have been introduced in the 1990s, a reflection of changes elsewhere in the world arena and of the repercussions they have had in each country, i.e. some degree of economic and political opening. A number of recent developments heralds a move away from undue emphasis on trade integration to a more coherent dynamics which includes institutional adjustments that allow the participation of other economic agents, including the private sector and civil society organisations. Albeit exceedingly slow, the changing political context has also resulted in greater confidence on matters of foreign and security policies, as shown by the qualified success of Ecomog. A further positive innovation is the acceptance of the principle of variable geometry. But the status of advancement of most ECOWAS goals is far from satisfying. Decisions to harmonise agricultural policies and adopt a common position during negotiations of international commodity agreements, for example, have just remained promises. While the protocol on the free movement of persons, residence and establishment is being implemented, individual countries contravene this when it suits specific domestic socio-political interests.

The main problem for the region remains its inability to nurture a critical mass of countries, so that fall-outs turn from negative to positive. Unfortunately, it is almost impossible to find African countries whose successful macroeconomic and institutional policies have brought about high and sustainable growth rates. In West Africa, Ghana and Côte d'Ivoire have shown certain potential in this regard, but failure in harmonising national policies has created tensions. The lack of monetary co-ordination — Ghana has maintained a flexible exchange rate, while Côte d'Ivoire has anchored its currency to the French Franc — tend to adversely affect bilateral trade, which remains volatile, minimal, and one-sided. We have noted elsewhere that the inherent subsidy that the CFA Franc enjoys as a result of its relationship with the French Franc effectively distorts the trading relationship between the two countries. Moreover, Ghana suffers from high macroeconomic instability, while structural adjustment in Côte d'Ivoire has been less comprehensive, “too little, too late” (Pegatienan, 1995). Developments in Côte d'Ivoire since 1999 have been very negative, both on the political and the economic fronts, although the same period has also seen the return of democracy in Nigeria and peaceful transitions through the ballot-box in Ghana and Senegal.

Under the pressure of bilateral and multilateral lenders, the need to properly align exchange rates and improve the underlying macroeconomic framework as a necessary, albeit still *per se* insufficient pre-condition for trade creation is increasingly recognised by policy-makers. The growing legitimacy of governments among the comity of nations allows for a more open attitude in discussions of activities that involve some cession of authority to a supra-national body. Regionalism may hence play an important contribution in this respect if growing mutual trust translates into regional, multilateral surveillance to accelerate progress on macroeconomic convergence and monetary union. The same can be true for much-needed infrastructure projects such as the West African Gas Pipeline project.

In sum, ECOWAS appears to have changed tact, becoming more accommodating of alternative approaches to integration. Concluding this paper with these rather positive considerations, however, does not suggest that all (or even most) problems have been overcome. This new stance is yet to manifest itself in growing cross-border economic engagements.

## NOTES

1. Mauritania, a member of ECOWAS until 1999, is not strictly speaking in Western Africa.
2. See final communiqué on “Nigeria-Ghana Strategic Co-operation Meeting”, held in Accra on 20-21 December 1999.
3. While ECOWAS countries have agreed to establish an economic and monetary union by 2004, the existence of the monetary union of the UEMOA, embracing a subset of the ECOWAS members only and their perceived lack of interest in the broader monetary union, has motivated the discussion of the second union that will involve the non-UEMOA countries with the intention of speeding up the entire process.
4. CEAO was replaced by UEMOA in 1994. CEAO itself came out of UDEAO, the former customs union of West Africa. The UDEAO was established in 1973 as a French sponsored initiative to counter what was seen to be Nigeria’s growing influence in the sub-region (McCarthy, 1996).
5. At the meeting of the Nigeria-Ghana Strategic Co-operation Meeting held in Accra on 20-21 December 1999, it was resolved to appeal to the Chairman of ECOWAS and the Chairman of UEMOA “to prevail on other UEMOA countries to stop the application of the Common External Tariff (CET) on imports from non-UEMOA countries” (Meeting Communiqué, 1999).
6. The UEMOA countries have been able to do one for themselves in the mean time.
7. An example of a response to the failure to have an adequate compensatory mechanism was the operation of the *taxe unique* system of UDEAC. According to Decaluwe, Njinkeu and Bela (1995, p. 18) “The TU rates have been fixed so as to limit the trade flow that could grant gains to some countries at the expense of others. The TU [...] is a compromise between strictly national interests and the regional interest. It reduces sacrifices due to integration, in the absence of an appropriate mechanism that could lead to a fair distribution of gains.”
8. Under Article 39 of the revised treaty, trade deflection occurs when “imports of any particular product by .a member state from another member state increase (*i*) as a result of the reduction or elimination of duties and charges on that product...” and “this increase in imports causes or could cause serious injury to production...”. It is expected that as trade barriers are eliminated between member countries, exports will increase from those countries which have a competitive edge in a particular industry and contract in countries which do not. The requirement that the Council of Ministers “...take such decisions as are necessary in order to deal with the causes of this deflection,” seems to go against the objective of strengthening region-wide economic relations. Article 39 of the revised ECOWAS treaty makes the occurrence of gains from specialisation and improved efficiency through resource allocation difficult. Also, nowhere in the Treaty is “serious injury” defined.
9. The exporting country is required to pay compensation equal to the “difference between the total duties that would result from the application to commodities, duties...applicable to such commodities before the coming into force of the Treaty if they originated from a third country enjoying most favoured nation treatment and the amount actually collected as a result of the application of the treaty.”
10. This was so notwithstanding the fact that the reforms ensured that exchange rates in many countries of the sub-region, including those of the CFA franc countries, came close to their long term equilibrium levels. They also lowered significantly export taxes, while some quantitative restrictions on imports were removed. Indeed import tariff rates have been lowered in a number of countries and the degree of variability among them has been reduced.
11. The Protocol for the Parliament entered into force in March 2000, after it was signed by nine member States (Benin, Burkina Faso, The Gambia, Ghana, Guinea, Mali, Nigeria, Senegal and Sierra Leone). Each state has a guaranteed minimum of five seats with the remaining 40 seats allocated on the basis of population. Nigeria has 35 members followed by Ghana and Côte d’Ivoire with eight and seven seats respectively. Burkina Faso, Guinea, Mali, Niger and Senegal

have six members each while Benin, Cape Verde, The Gambia, Guinea Bissau, Liberia, Sierra Leone and Togo have five each in the Parliament. The Parliament was inaugurated in Bamako in November 2000 and held its maiden plenary session in Abuja in January 2001.

12. Other countries involved in this arrangement include, Sierra Leone, The Gambia, Liberia and Guinea.
13. Towards the common currency project, the two countries have put in place an institutional framework that is made up of convergence council (that includes ministers of finance, trade/commerce, foreign affairs, integration and governors of central banks), a technical committee (made up of directors of research at central banks, representatives of finance ministries, trade/commerce ministries, statistics offices and ECOWAS offices), and a miniature institution to form the nucleus of a common central bank.
14. Personal communication with Director of CIRES, Abidjan, 1999. A research project between Ivorian and Ghanaian economic research centres to look at the implications of Ghana joining the CFA Franc zone is underway.
15. The Abidjan conference brought together 360 persons, including 225 self-financed entrepreneurs from the West African private sector and 60 representatives from the offshore private sector, including world leaders in agro-processing, packaging and telecommunications.
16. The closest that the sub-region had come to having an agreement on defence prior to Ecomog was in 1978 and 1981. In 1978 a protocol on non-aggression was signed. In 1981 a protocol on mutual assistance in defence was signed but this did not provide for the setting up of intervening forces.
17. This is reflected by the many positive comments the endeavour has attracted from outside the region, as in, for example, the speech by President Clinton during his state visit to Nigeria in September 2000.

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