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ECOWAS: PERFORMANCE, PROMISE AND PROBLEMS,(U)
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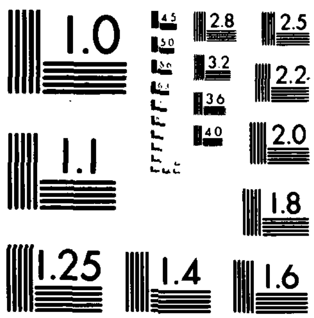

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ECOWAS: Economic Community of West African States

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Africa Business and Economic Review is pleased to have been asked to present a paper at this conference. Quite by accident, ECOWAS is a subject we were all interested in prior to publishing the Review, and two staff members, Jeffrey Jackson and Justice Zormelo, have published papers on ECOWAS. One of our interns recently presented a paper on ECOWAS at a symposium at Georgetown University, and we have devoted an issue to an analysis of the emerging union. Even though the staff doesn't often agree on economic issues, we are in unanimous agreement that economic fragmentation is a significant impediment to economic growth and development in Africa. Regional economic integration is perhaps the only way to circumvent the problem of small market size and achieve increased efficiency, economies of scale, specialization of production, improved terms of trade and increased economic growth for the region as a whole.

Theoretical Overview

Most scholars who have done research in the field of African (or LDC) integration and CU theory have noted that traditional CU theory has certain deficiencies when applied to LDC's. On balance, a CU is evaluated as to whether it is trade creating or trade diverting. Trade creation refers to an increase of trade among the members of a customs union, and trade diversion to a reduction of trade with the rest of the world, i.e., purchasing from higher cost producers within a CU as opposed to lower cost producers outside the CU. Traditional CU theory only operates well when member states are industrialized, competitive in export markets, and when foreign trade as a percentage of national income is small. African states do not fill these criteria; most are agriculturally fundamental economies, and are dependent on exports--mainly of raw commodities and minerals--for a substantial portion of national income.

According to traditional CU theory, the basic objective is trade creation within a CU, although the income effects (i.e., an increase in income resulting from GNP growth of the CU) from a CU may increase total external trade more than would have been the case in the absence of the CU. By their very nature, CUs are discriminatory toward the rest of the world. Customs unions may, but need not, be a step toward world free trade. The removal of barriers to trade and unrestricted factor movements will lead to the utilization of intra-union comparative advantage in industrial location. In other words, industry will locate at its least cost location within the union. The increased market size will serve as an incentive to the application of capital; industries can be formed or expanded to scale economies where prices may be lowered and vertical and horizontal specialization introduced. Fiscal and monetary policy harmonization will be advantageous in facilitating the accomplishment of these goals.

Because LDCs often do not fill the criteria for a traditional CU, they must look to other aspects of CU theory, both in terms of application and desired results. LDC's will undertake integration for a set of reasons different from those of industrialized nations. Major motives are likely to be growth contribution, industrialization, and export diversification. These goals are not completely incompatible with traditional CU theory, which can be interpreted with a flexibility to account for factors peculiar to African LDC's. The standard against which LDC integration schemes will be evaluated will be the alternative situation or process which would result if each country chose to attain its desired level or rate of growth of industrial production independently.

Trade creation vs. trade diversion is one major point at which LDC integration theory diverges from traditional CU theory. In a wider framework, both trade diversion from the outside world and trade creation within the union can be a source of gain. Trade diversion ultimately involves costs to CU members, in terms of loss of world income, purchases from higher cost producers, etc., but those costs may be outweighed by policy objectives of industrialization and growth. Robson (Peter Robson, Economic Integration in Africa, 1967, p.39) qualifies this:

> An important implication of an approach to economic integration which accepts a preference for industrial development as a legitimate policy objective, is that it is no longer necessarily appropriate to evaluate integration schemes in terms of whether trade creation outweighs trade diversion, for gains from integration can be produced even in the context of a net balance of trade diversion for the region as a whole. To put the matter in another way, integration makes it possible for trade diversion, which may be undertaken in a more efficient way...This approach is clearly consonant with the possibility that trade diversion may be an efficient way of stimulating the rate of growth of

real product in the long run. If protection makes possible an increase in real product and its rate of growth in the long run, integration may make it possible to increase the potential product or growth rate still further. On the other hand, if protection implies real costs, integration can reduce these, and thus increase real production or its rate of growth, despite the fact that trade diversion, which in this framework is no longer a relevant concept as a criterion of analysis, remains. This is that specialization produces productivity gains. These remain fundamental and basic to the case for regional economic integration, even in a dynamic context, though the standard of reference admittedly changes.

I. ECOWAS OBJECTIVES

For one to be able to make an assessment of ECOWAS performance in light of its short and long range goals and objectives, it is necessary to identify these objectives. The economic integration efforts by ECOWAS countries are aimed at expanding the economic size of an essentially fragmented region. They are aimed at enhancing opportunities for investment, promoting more efficient utilization and allocation of resources, and facilitating specialization and development of new industries. Integration would also aid diversification of the export sector and help to reduce the vulnerability to the vagaries of the commodity markets, while increasing the bargaining position of the community as a whole. Thus, ECOWAS was designed to take into account the broader range of benefits to be derived from economic integration.

For this reason, the aims of ECOWAS as specified in its treaty are to promote cooperation and development in all fields of industry, transport, telecommunications, energy, commerce, monetary and financial areas -- all with the purpose of increasing and maintaining economic development and stability and fostering closer relations among its members. Current plans call for ECOWAS to become a full customs union by 1991; intra-union import duties would be removed by 1986; and a common external tariff would be implemented within five years thereafter.

Whether ECOWAS countries will be able to achieve the objectives within the specified time framework will be dealt with later. Nonetheless, the integration process is scheduled to move in a series of stages from the freeing of trade and establishment of a customs union to ultimately creating a common market. Provisions were made accordingly for

1. the elimination of customs duties or the promotion of a customs union;

2. the freeing of trade among member states and therefore implementation of common commercial policies;

3. the abolition of obstacles inhibiting mobility of factors of production, specifically of labor and capital;

4. the harmonization of agricultural policies and promotion of common projects in the fields of marketing, research and agro-industrial enterprises;

5. the adaptation of measures to implement schemes for the joint development of transport, communications, energy,

and other infrastructural facilities, and therefore, harmonizing the economic and industrial policies of the member states;

6. the promotion of harmonized monetary policies; and

7. establishment of an ECOWAS Fund for Cooperation, Compensation and Development.

The gradual and cautious approach being pursued by the ECOWAS membership regarding the implementation of its programs is due to the awareness of constraints of the actutal and potential problems the group faces. These problems can be summarized into two broad categories:

1. Problems relating to the underlying economic and socio-political conditions characteristic of the West African region; and

2. Problems relevant to the integration process, in terms of the implementation and maintenance of its programs with respect to its objectives.

Thus, problems cover the whole range from facilitating an equitable distribution of the benefits of integration and institutionalization of ECOWAS as a supranational institution to implementing and maintaining its programs in a manner that will minimize potentially disruptive political conflicts.

The underlying problems of ECOWAS can be seen in terms of the paradox of integration. CU theory suggests that conditions conducive to integration must necessarily exist for economic integration to proceed successfully. However, the paradox is that ECOWAS objectives recognize that it is the lack of the existence of these conditions that makes integration necessary. For example, gross national product per capita (GNP) (see Table I) varies among these countries with rates as low as $110 in Mali to $690 in the Ivory Coast. Nigeria's predominance is overwhelming with an estimated GDP of $46,968 mn and a population of about 83 mn (1979) while the Gambia has a GDP of about $168 mn and a population of about 584,000. The colonial heritage of West Africa has been responsible for their balkanized nature, and economies whose trading patterns have largely catered to markets outside the region. Former metropolitan states, particularly the French, still play an influential role in their economies. There are substantial differences in the level of industrial and overall economic development. Even though their industrial development is the highest in Sub-Saharan Africa, it is still relatively low by world standards. They are economies dominated by single commodity exports which compete with, rather than complement, each other. While ECOWAS policies are aimed at overcoming these problems, the conditions characteristic of the region serve to emphasize the underlying problems and obstacles to the integration process.

TABLE I

Selected ECOWAS Countries

GNP Per Capita

	US $ (1977)	Average Annual Growth % (1960 - 1977)
Mali	110	1.0
Upper Volta	130	0.6
Niger	160	-1.4
Sierra Leone	190	1.3
Benin	200	0.2
Guinea	220	1.3
Mauritania	270	3.6
Togo	300	3.8
Ghana	380	-0.3
Liberia	420	1.8
Nigeria	420	3.6
Senegal	430	-0.3
Ivory Coast	690	3.3

Source: World Development Indicators, The World Bank, June 1979.

II. THE PERFORMANCE OF ECOWAS

Much of ECOWAS efforts to date have been in the direction of isolating specific priority areas for deliberation during annual summits. These are in turn embodied in agreements which are then left to member states to implement. The creation of centralized decision making institutions to promote the harmonization and effective implementation of the agreements and overall objectives has necessarily also occupied the attention of ECOWAS. The Executive Secretariat is located in Lagos, Nigeria and the headquarters of the ECOWAS Fund for Cooperation, Compensation and Development is in Lomé, Togo. It has four specialized commissions covering Trade, Customs, Immigration, Monetary and Fiscal Affairs and Payments; Industry, Agriculture and Natural Resources; Transport, Telecommunications and Energy and Social and Cultural Affairs. Due to the infancy of these institutions, it is not surprising that their roles are still being defined.

The ECOWAS Fund

The effective implementation of ECOWAS policies depends on designing and implementing measures to compensate weaker states, such as the lesser developed or landlocked states. The establishment of the ECOWAS Fund represents an important step in the direction of providing compensation and other forms of assistance to member states which would have to suffer losses arising out of the implementing of the group's policies. In addition, it would serve to assist in financing development projects, guarantee foreign investments in the context of harmonization of industrial projects, promote development projects and facilitate the sustained mobilization of internal and external financial resources.

Its approved initial operating capital of $500 million is yet to be fully funded. Presently it has relied on contributions from member states and earnings from its investments of the Fund's capital resources. The Fund's management has made efforts to identify potential projects for financing through visits to the respective countries. It has also sought to establish working contacts with potential external funding sources. The European Economic Community's recent aid fund included an award of $675,000 to ECOWAS to cover the cost of preparing for the fourth investor's forum in Dakar, Senegal. In 1979 the fund invested a total of $33,099,859 mostly in Europe. $1,463,105 profit was supposedly realized. Morgan Grenfeld and AMEX Corporation received most of these funds. The Fund's role is very crucial to the success of the ECOWAS. Its efforts at implementing development projects as well as compensating disadvantaged nations addresses to the core issues posed by the integration process. A proper definition of its role as time progresses would be necessary to prevent it from being an ineffective amorphous institution, lacking the necessary power to implement its policies. A smooth institutionalization process in ECOWAS is an imperative for a successful implementation of its programs.

Tariffs

The most recent summit of ECOWAS ministers was held in Lome, Togo. The leaders agreed on May 28th, this year, to a series of measures to eliminate trade barriers among its member states starting next year. Last year's meeting, held during the same month, laid the grounds for this year's meeting. During the previous year's meeting held in Senegal, it was decided that member states, covering an area from Mauritania to Nigeria, would consolidate their customs duties as of May 28th. Francophone and Portuguese-speaking member states were neither obliged to comply with this consolidation, nor reduce tariff barriers. Instead, the agreement compels them not to increase duties or introduce new ones during the two years following the summit.

The tackling of the trade liberalization issue is an important and a crucial step. The removal of trade barriers is one of the objectives of the group, since it is hoped that the promotion of trade will enhance economic growth and stimulate cooperative efforts in other areas.

ECOWAS Trade Structure

There are several problems that could inhibit the removal of tariffs and the freeing of trade. Traditionally West African nations have traded in food products such as dried fish, kola nuts, livestock, tobacco, millet, etc. Estimates of the sizes of this intra-regional trade have ranged from insignificant to substantial. Estimates put it between 5% to 10% of total external trade. This variation points to the fact that this trade is largely unrecorded. Nonetheless, there is a notable amount of complementarity of regional trade structures in the sense that member countries have specialized in certain products which serve the import needs of other members. It is when one examines the cash economy or the major commodity export structure providing the bulk of these country's income that the potential problems become magnified.

There is a high degree of competition where ECOWAS country exports are concerned. Table II shows export earnings by the group are derived from exports of identical commodities. More than six products are produced by six or more countries; seven countries export cocoa, eight export coffee, nine groundnuts, six palm oil, six timber and seven export hides and skins.

Table III shows the level of export concentration of their commodities. Only the Ivory Coast is less dependent on a single product, Mauritania is very dependent on iron ore and Nigeria on petroleum for their export earnings both with 86.5% and 85.2% respectively. While the evidence is far from conclusive, research conducted by Africa Business and Economic Review (Vol. 1, No. 12) indicated that three ECOWAS countries -- Ghana, Mali and Ivory Coast -- were actually becoming less diverse (more concentrated). Diversification coefficients show that during the 1970's, their export diversity decreased by 1%, 27.7% and 7% respectively. For

TABLE II

Commodity/Country Matrix of Exports of Selected Primary Commodities in ECOWAS. Average Calendar 1975-77 (million US$)

	Benin	Cape Verde	The Gambia	Ghana	Guinea	Guinea Bissau	Ivory Coast	Liberia	Mali	Mauri-tania	Niger	Nigeria	Senegal	Sierra Leone	Togo	Upper Volta
Cocoa	1.5			532.7			307.5	4.9				381.8		8.6	22.4	
Coffee	1.1			4.2	5.6		550.6	18.0				5.8		15.4	14.3	
Rice						0.1	2.5		1.2						0.2	
Maize				0.3												
Sugar						0.1										
Beef									0.8		0.8					
Bananas					0.2		13.5						0.1			
Copra							2.3									
Groundnuts	1.9		25.2		1.6	5.7			8.6		1.0	0.1	24.4			3.6
Palm Oil	2.4			0.1		0.1	41.3	0.5				2.6				
Rubber							11.1	53.8				22.9				
Timber				83.0	3.6	0.1	278.2	22.1				8.1				
Hides/Skins			0.1				.6		0.3		2.0	12.8	1.9			0.2
Tobacco	0.7			0.5					0.1							
Petroleum												8630.4				
Bauxite				3.6	153.7									5.1		
Copper										6.9						
Tin											0.1	24.8				
Zinc										147.1						
Iron Ore								310.4						13.0		
Manganese Ore				14.8												
Phosphate Rock													71.6		73.2	
Other	16.0		4.1	145.6	37.9	1.3	424.4	27.8	33.7	15.5	105.8	1037.7	205.0	81.0	16.9	28.0
TOTAL	33.3		44.7	784.7	202.7	7.3	1652.3	437.7	87.7	170.0	114.3	10127.7	483.3	123.0	130.0	50.7

ABER Sources

TABLE III

Commodity Share of Country Total Exports
Average 1975-1977 (Percent)
Selected ECOWAS Countries

Major Commodity:	Groundnuts	Cocoa	Bauxite	Coffee	Iron Ore	Cotton	Petroleum	Phosphate Rock
Ghana		67.9						
Ghinea			75.9					
Guinea Bissau	78.2							
Ivory Coast				33.3				
Liberia					70.9			
Mali						45.0		
Mauritania					86.5			
Nigeria							85.2	
Togo								56.3

Source: Commodity and Price Trends, World Bank, 1979 the Ivory Coast, this reflected a reversal of the increase in diversity shown between the late 60's and 1972. Individual government policy of states have been designed to protect as well as promote these exports but marketing policies differ between the countries. Ghana's cocoa enjoys a premium price in the world market; however, it has lost its number one producer position to the Ivory Coast. The latter's cocoa pricing policy affords relatively higher cocoa price to its farmers than in Ghana, providing the incentive for Ghanaian cocoa farmers to smuggle their cocoa to the Ivory Coast for higher earnings. Thus questions that need to be addressed should include an assessment of the impact of freer trade on smuggling -- would it mean the adoption of identical marketing or pricing methods to forestall potential smuggling?

Other problems relevant to freeing of trade relate to the potential competition faced by member countries' industries. Industrial production is relatively low in ECOWAS countries and the industries in existence are largely highly protected import substitution industries. It must be expected that if they give each other preference in products that they themselves produce, competition will be increased. Thus, the less efficient industries will contract as they lose sales to lower cost producers within the group. While there can be measures designed to permit in turn the expansion of some other industries in a country to compensate it for its loss, this may not always follow. The ECOWAS Fund is expected to play a major role in the area of compensations but its role and problems will be examined later. In fact, many experts contend that implementing such structural transformation is the only way for LDC efforts at integration to succeed. Ironically, the problems they introduced have also been the reasons for the collapse of efforts at economic integration by less developed countries.

The joint measures of simultaneously freeing trade among ECOWAS members while selectively consolidating customs duties is a partial or perhaps an initial attempt to seek a solution to another important problem relevant to the freeing of trade. This problem arises because commodities imported from outside the community tend to enter the free trade area via the country with the lowest external tariffs. Documentation through so-called certificates of origin should necessarily be required as a control mechanism to minimize their occurrence. The chances of this happening in the free trade area is high due to the joint boundaries shared by the landlocked countries of Niger, Mali, Upper Volta with the coastal states.

At this stage, one cannot say the problems will be lessened when customs duties or common external tariffs that apply to the imports of the outside world are applied in the manner put forth by the 1979 summit. This is because it is likely customs duties existing in Francophone West Africa will vary from Anglophone Africa. Nevertheless when effectively implemented, there are quite considerable potential advantages to be enjoyed by ECOWAS.

The advantages are assessed in terms of the net welfare effect of trade creation or trade diversion possibilities. It must generally be expected that the low cost producers within the area will expand their output and exports to other members of the community, while high cost producers will contract unless they increase their efficiency. Where West Africa is concerned, the possibilities of economies of customs administration would arise from the increments of trade which enable countries to obtain some goods from their partners at a lower cost than they would produce themselves through trade creation.

It is doubtful that increments of trade without accompanying structural changes would be substantially high due to production and demand constraints within West African economies. ECOWAS countries are constrained by the fact that their major exports are in primary products as Table II and Table III indicate. Though not shown by the data the markets of these primary products are in the industrial countries of Europe, mainly Britain and France, and the United States. ECOWAS countries do not produce much of their capital goods, and the industrial and agricultural inputs that constitute a large part of their imports. Furthermore, their transportation systems which have been geared toward facilitating trade between their major trading partners, would have to be expanded in the direction of intra-union trade. Thus, current efforts at constructing inter-West African highways and rail links are steps in the right direction.

Other advantages may be expected through the stimulant of competition which might serve to break stagnant local monopolies. Exploitation of economies of scale might be made possible through the expansion of the market and new firms may become viable for the same reasons. Investment opportunities would generally increase with the expanded regional market, permitting increased inflows of external capital into the area. This could in turn generate employment, new technology and income and growth opportunities. Bargaining as a bloc would be an advantage in areas such as commodity agreements.

While there are numerous potential advantages for economic development, a major problem is that the gains might not be evenly spread, due to the economic disparities between the countries in terms of their factor endowments and overall economic development. As indicated in Table I, per capita incomes and growth rates vary significantly among the countries. Landlocked Mali has a low per capita Gross National Product of $110 (1977) compared to $690 of the Ivory Coast. Oil rich Nigeria, Togo, Mauritania and the Ivory Coast have experienced quite healthy growth rates, above 3.0%, compared to Ghana, Niger and Senegal who have witnessed negative rates during the same period. The same picture emerges when Table IV is examined; the production growth in the agricultural, industrial and service sectors of Nigeria, Niger, and the Ivory Coast have sustained the upper hand in industrial and manufacturing growth during the period examined.

TABLE IV

Growth in Intra-Union Exports
14 ECOWAS Countries
1974 and 1978

(million US$)

	1974	1978	% Change
Benin	4.61	6.12	33
Gambia	.693	3.612	421
Ghana	5.40	22.31	313
Guinea	.58	.68	17
Ivory Coast	120.5	184.8	53
Liberia	3.3	4.15	26
Mali	26.22	12.55	-52
Mauritania	2.04	.48	-77
Niger	17.73	20.688	17
Nigeria	160.0	250.54	57
Senegal	57.71	91.04	58
Sierra Leone	2.87	5.13	79
Togo	4.25	7.01	65
Upper Volta	17.14	22.33	30
TOTAL	423.043	631.44	49

Members of customs union with a better economic performance and resources as well as relatively adequate infrastructural development would have the competitive edge over the landlocked states since their costs of imported inputs would be lower with the establishment of identical external tariffs. In addition they would have easier access to world markets. Relative to the trade diversion aspects of the union, weaker states might find they are importing goods from producers within the union which they could import from cheaper sources outside of the union. It is therefore possible that the market price of imports from other members may be lower because they enter duty free, while the real costs in foreign exchange are higher than should be for imports from outside the union -- thus reducing their real income.

It is worth noting that intra-union trade has been on the increase. With the exception of Mali and Mauritania which experienced declines of 52% and 77% respectively, trade between ECOWAS countries in 1974 prior to the signing of the agreement, and 1978, three years later, has increased signficantly. Table IV shows total intra-union trade increased by 49%. However, one cannot say ECOWAS policies are directly responsible for this increase. While the spirit of cooperation initiated by ECOWAS could have served as an intangible influential factor, it is only a speculation at best. Caution must also be exercised in interpreting these figures since a considerable portion of this trade is unrecorded and there are other omissions and inadequate records.

While increased trade can contribute to economic growth in the region, it is worth observing that a regression analysis of ECOWAS trade between 1972 and 1974 indicates a relatively low association between growth in GNP and growth in intra-union trade. That coefficient was .1926 compared with a .7543 for total trade. This indicates to us that economic expansion alone has not historically increased intra-union trade, and that specific policies will have to be formulated and carried out to achieve that objective. Increased investment and industrial expansion stimulating trade in manufactured goods in the region could change this relationship.

III. PROSPECTS FOR MONETARY HARMONIZATION

Francophone West African states of Togo, Benin, Senegal, the Ivory Coast, Niger and Upper Volta presently have their own economic community with a monetary union called the West African Monetary Union (WAMU). Their currency, the CFA franc, is pegged to the French franc at a fixed rate of CFA F'1 = F 0.02 (at the beginning of 1979). However, aside from these Francophone states, the rest of the West African states maintain their own monetary system. The reason for this multiplicity of currency systems is not hard to see; aside from their currency providing for a generally acceptable medium of exchange, the respective governments have tried to use the monetary system as policy tools for economic development for the respective countries. Manipulation of exchange rates and domestic money supply have been used to finance development, promote exports and facilitate the balance of payments adjustment process. For example, Nigeria does not maintain margins regarding exchange transactions and pursues an independent and flexible exchange rate policy. Ghana adopted a flexible exchange system in 1978. Mauritania's exchange rate is determined on the basis of a basket of currencies of seven major currencies including the dollar and the pound, while the six Francophone West African Monetary Union members maintain the CFA Franc which is pegged to the French Franc. Their central bank, the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), other commercial banks and the postal system levy commissions on transfer to all non-union members.

The potential problems in this area are illustrated by BCEAO countries' rejection of a proposal to mint ECOWAS gold commemorative coins which would be legal tender in member states. These Francophone states comprise the WAMU, and the explanation regarding their opposition was that the issue of minting legal currency "is and shall remain the exclusive prerogative of the BCEAO."

The different monetary systems in existence have had depressing effects on the volume of trade in the area and on facilitating payments for goods and services. In the area of monetary policy harmonization the Committee of West African Central Banks are supposedly expected to work closely with the West African Clearing House in the first major experiment in multilateral monetary cooperation embracing both Francophone and Anglophone countries. Its objectives are to promote the use of the currencies of the members for sub-regional trade and for other transactions, to bring about economies in the use of foreign reserves of the members of the Clearing House, to encourage members to liberalize trade among them and promote monetary cooperation and consultation among members of the Clearing House. The common unit of account selected for the West African Clearing House is to be known as the West African Unit of Account and is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund.

IV. TOWARD A COMMON MARKET

A common market represents the most complete concept of economic integration. A common market, besides permitting the freeing of trade and establishment of a customs union, allows for the free movement of all factors of production. The movement of labor and capital should necessarily involve capital investments and the structural transformation necessary for a more efficient allocation of industries and exploitation of resources.

The structure of production by ECOWAS countries shows the share of agriculture in the gross domestic product has seen a general decline in 1977 from the 1960 figures. Nigeria and Togo witnessed the sharpest decline when the 1960 and 1977 periods are compared with the 29% and 32% decreases respectively. The services

TABLE V

West African Currencies
(Position December 31, 1978)

Country	Currency	Relationship
Mali	Franc	Pegged (Franc)
Togo	CFA Franc	Pegged (Franc)
Upper Volta	CFA Franc	Pegged (Franc)
Niger	CFA Franc	Pegged (Franc)
Ivory Coast	CFA Franc	Pegged (Franc)
Senegal	CFA Franc	Pegged (Franc)
Benin	CFA Franc	Pegged (Franc)
Ghana	Cedi	Flexible
Guinea	Syli	Pegged (SDR)
Guinea Bissau	Peso	Pegged (SDR)
Nigeria	Naira	Flexible
Sierra Leone	Leone	Pegged (Pound Sterling)
Gambia	Dalasi	Pegged (Pound Sterling)
Liberia	Dollar	Pegged (US Dollar)
Mauritania	Ouguiya	Basket of Currencies

Source: IMF Annual Report Exchange Arrangements and Exchange Restrictions, 1979.

and industrial sector made up for the decrease with the notable increases in industry for the two countries. The share of manufacturing has been relatively low indicative of the fact that manufacturing for export by ECOWAS countries has been equally low. Emphasis has been generally on protected import substituting industries such as textiles manufacturing, building materials, furniture and car assembly largely for domestic consumption. The relatively small size of manufacturing for export in ECOWAS countries means that for any substantial improvement in trade in this area to occur there must necessarily be meaningful harmonization of industrial allocation and investment policies as well as substantive export promotion policies to utilize economies of scale and facilitate intra-industrial specialization and trade in manufactured goods. There are incentives to promote regional trade in manufacturing; the growing protectionism by industrial countries against less developed countries manufactured exports coupled with advantages of regional geographical proximity in terms of transport costs, reinforced by the preferential schemes being implemented by ECOWAS countries should serve as incentives to boost efforts in this area.

Regional Mobility

Regional mobility of persons especially of labor, potential investors, entrepreneurs and those with the purchasing power are essential in influencing the growth in regional trade. Migrant labor has featured prominently in the expansion of the commodity

TABLE VI

Distribution of Gross Domestic Product (Percent)
Selected ECOWAS Countries

	Agriculture		Industry		Manufacturing		Services	
	1960	1977	1960	1977	1960	1977	1960	1977
Mali	55	38	10	17	5	11	35	45
Upper Volta	55	37	13	14	8		32	49
Benin		38		15		10		47
Mauritania		26		37		11		37
Togo	55	23	16	31	8		29	46
Ghana	41	39	19	22	10		40	39
Liberia	40	30	37	40		5	23	30
Nigeria	63	34	11	43	5	9	26	23
Senegal	30	28	20	24	12		50	48
Ivory Coast	43	25	14	20	7	12	43	55

Source: World Development Indicators, The World Bank, June 1979

TABLE VII

Production Growth Selected ECOWAS Countries
Average Annual Growth Rates (Percent)

	Agriculture		Industry		Manufacturing		Services	
	1960-70	1970-77	1960-70	1970-77	1960-70	1970-77	1960-70	1970-77
Mali		-0.8		8.9				5.5
Upper Volta		3.2		7.0				1.8
Niger	3.3	2.7	11.1	9.4			0.6	
Sierra Leone		2.3		-3.2				5.0
Benin								
Guinea	2.1	3.2	2.3	10.2			6.2	3.9
Mauritania		-2.3		2.1				7.6
Togo								
Ghana		-0.7		0.8				1.6
Liberia		5.2		0.3			7.4	4.5
Nigeria	-0.5	-1.5	13.8	10.3	9.1	13.4	5.6	2.9
Senegal	1.9	5.2	3.7	4.8	4.6	10.2	2.8	1.1
Ivory Coast	4.2	3.5	11.6	7.9			10.0	7.7

Source: World Bank, Development Indicators, 1979 export sector. The expansion of Ghana's cocoa industry in the past was greatly aided by inflows of labor from neighboring states; their inputs have either directly or indirectly served to support the cocoa processing industry. Mobility of entrepreneurs with investment capital or with the need to arrange potential trade deals can impact on both the supply and demand of manufactured goods in the region. Thus, ECOWAS countries have pointed to the need to formulate and implement policies to promote industrial cooperation and mobility of persons.

The 1979 summit abolished visa requirements for ECOWAS nationals for a 90 day period. While the treaty states that nationals of the ECOWAS can travel and stay in any member country for up to three months, this has not fully been accepted by member states. Reports indicate most countries do allow one to three weeks stay periods. Questions still to be resolved relate to defining who can be characterized as a citizen of the community. Recent history has witnessed mass deportations of West Africans from some West African countries, mainly for economic regions (as in the case of Ghana and Sierra Leone expelling Nigerians, and now Nigerians making efforts to expel Ghanaians without work permits). Thus, mobility of persons still remains a prerogative of member nations. Whether this would change in the future depends in a large measure on respective country economic conditions.

In any case, in order to implement policies in these areas the transportation and communications systems must be expanded and improved. The existing transport network within West Africa was developed primarily to move export commodities from the interior to major coastal ports; as such, the pattern shows road and rail links leading from the interior to the coast. There are hardly any rail links between ECOWAS members and roads are inadequate. Telecommunications links have had to be relayed through Europe. It is noteworthy that the Secretariat has been making efforts to mobilize funds for the ECOWAS-PANAFTEL branch telecommunication project. Progress made so far includes the conclusion of year-long feasibility studies. The initial outlay is $50 mn, and involves the linking of member states so as to eliminate the frustrating process of having to be relayed through Europe.

V. OTHER PROBLEM AREAS

There are other problem areas, aside from those dealt with earlier, which are essentially political or with political implications. Functional integration theorists have among things suggested that integration can be made possible through separating economic and political issues and proceeding first with the economic aspects of integration. The nature of the political systems in West Africa is such that it will be impossible to separate the two. Economic issues in African countries have always had political implications. Planning and implementing development programs are highly centralized, and experience has shown that political stability has often been a function of a country's economic performance. Thus for these same reasons there will be lingering political problems in this area, and their solution are as important as implementing sound economic policies.

Another important problem that will have to be addressed now and in the future is how to co-exist with or incorporate the policies of other regional organizations, including the West African Economic Community which comprises the Francophone countries. The inputs of French interests in this grouping can conflict with the broad objectives of ECOWAS. However, the political will of the leaders to succeed seem to be very high and perhaps this would provide the motivation for solving such political problems amicably. Other problems relate to the possibility that individual domestic economic policies could lead to the unilateral introduction of fiscal and other incentives by member countries which could adversely effect trade among members.

Attracting Foreign Investment

West African nations are largely labor intensive economies and are dependent on external industrial countries for inflows of capital and investment to exploit their natural resources. Imported inputs are required for their industries. It follows that it would be in line with their objectives and needs to attract "appropriate" foreign investment.

Most West African states have adopted individual investment codes for attracting such investment which, in most cases, offer incentives to attract foreign investment. A harmonization of codes must necessarily be pursued while devising an ECOWAS investment code to facilitate investment in their joint industrial projects. It is therefore necessary that there must be an investment strategy which would define and give direction to the implementation of the development objectives of ECOWAS. The extent to which the ECOWAS fund would be able to fill in this role while allaying the fears of the weaker members of the community in a manner that would minimize potential conflicts is left to be seen. It would be most appropriate to create a body to plan and facilitate investments equitably in the region.

VI. CONCLUSION

Efforts such as the cooperative efforts embarked upon by ECOWAS have not been too successful among developing countries due to the problems mentioned previously. ECOWAS is still in its infancy but their policy objectives are steps in the right direction of increasing trade and overall economic cooperative efforts conducive to acceleration of economic growth and development in the region. The problems as seen are substantial as are the potential benefits; whether their efforts offer a lot of promise at this stage, their political will to succeed seems strong enough to be a positive factor.

The targets established for achieving an ECOWAS free trade area, customs union and a common market are not overly ambitious. They were established having taken into consideration the underlying problems characteristic of the West African region, as well as potential problems they would face in terms of implementing and maintaining ECOWAS programs and objectives. They are much well aware of the dismal performance of integration efforts in other regions, especially of the East Africa Economic Community. They have inched rather than taken giant steps towards integration.

Whether they will achieve a free trade area within the stipulated 10 years, a customs union within 15 years and a common market 5 years thereafter is difficult to predict. This is mainly in realization of the difficulties and the inherent problems of the integration process. The experience of the Latin American Free Trade area has shown that the target date for completely freeing trade was repeatedly postponed and the annual negotiations on tariff reductions, carried out on item-by-item basis supposedly slowed down considerably after a few years. The collapse of the East African Community precludes an overly optimistic assessment for ECOWAS but it has the potential of becoming a viable grouping.

Further Research

If the body of knowledge on the EEC, EAEC and LAFTA are any indication, in the coming years ECOWAS is likely to be an intensively studied region, and the subject of many dissertations, books and articles. However, at the present time any definitive analysis is hampered by a lack of hard, consistent and current data. Our attempts to build a trade model were hampered by these deficiencies. However, in future years, adequate research can probably be done on export diversification, trade creation/diversion, change in GNP growth, and the effect of factor movements and harmonized monetary and fiscal policies.