Static Effects of Economic Integration In West Africa:

Assessing an impact of Economic Partnership Agreement (EPA) on intra-regional trade

Anna Khabarova

Lund University
School of Economics and Management
Department of Economics

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Supervisor: Karin Olofsdotter

Abstract

In many parts of the world regional economic integration has experienced a revival since the yearly 1990s. That is the reason that the African continent has been drawn and involved itself into this process. An imminent urge to diversify domestic economies has been coupled with the decision to move away from the import-substituting practices in favor of regional integration. West African region and West African Monetary Union are among the main trade agents in Africa. This study uses descriptive statistics in order to analyze whether ECOWAS-EU trade in the context of Economic Partnership Agreement (EPA) in order to see to what extent the intra-ECOWAS bilateral exports are affected. If there is a link between the two, this study would be able to observe a negative correlation. This study finds that direction of export trade flows has seen more trade-creation and trade-diversion in different periods of integration. These are also known to be the static effects of regional integration. Trade creation for economic monetary union occurred more frequently between the 1996 and 2008, which is a situation when more expensive domestic products are replaced with low cost imports of an extra-bloc country. In particular the trend has been obvious during 2000 and 2003 (following the launch of WAEMU in 2000) and in 2006-2007. The intra-ECOWAS export shares face the opposite trade-dynamic, trade diversion, which occurs when cheaper imports from third countries are replaced with more expensive intra-regional imports. Trade diversion for ECOWAS occurred between 2000 and 2001, 2002 and 2003 and 2006 and 2007.

Previous findings on the issue of the West African regional intra-trade flows do however suggest negative tendencies for the region where the direction of trade is diverted away with cheaper extra-bloc imports than due to administrative, structural and infrastructural barriers. Although this study does not use various quantitative methods it is more nuanced towards members and non-members of the West African Monetary Union. It also confirms the results of the previous findings that the region experienced more trade diversion rather than trade creation in absolute terms. However this study does not directly observe the worsening of intra-ECOWAS export shares as a direct result of ECOWAS-EU economic cooperation.

Key words: Economic integration, Regional agreement, West Africa, EU, Economic partnership agreement

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Abbreviations:

CU	Customs Union
ECOWAS	Economic Community of West African States
EPA	Economic Partnership agreement
EBA	Everything but arms
GSP	Generalized System of Preferences
GDP	Gross Domestic Product
GNP	Gross National Product
WAEMU	West African Economic Monetary Union
FTA	Free trade agreement (free trade area)
RIA	Regional integration agreement
UEMOA	Union Economique et Monétaire Ouest Africaine

1. Introduction

Regional economic agreements in Africa like in many other continents depend upon competitive processes in the world economy. A new wave of interest sparked by the extension of regional agreements now extends even to the North-South reciprocal regional arrangements.[1] Many intra-bloc arrangements are a *de facto* reality today although many of them exist only informally. Intra-regional economic agreements are pursued because of scale effects and spillover effects on the economy through spread of investment and capital inflows. Inter-regional arrangements also entail forward linkages that affect both cross-bloc competition and serve as a benchmark that defines relations with the other regions. Some countries may even view regional integration as a means to attain recognition.[2] More importantly, there is an increased realization that inter-regional agreements are on the way of becoming a 'policy regime' that has a great potential to affect the direction bilateral trade flows.[3] Among the most widespread views is that regional integration a prerequisite towards gradual economic liberalization. Regionalism is viewed as a nice design not to overwhelm underdeveloped economies with liberalization. A free trade agreement (FTA) seeks to neutralize developing countries uncompetitive domestic markets. The intra-regional dynamics and outside bloc- regional agreements are in many ways double edged sword that cuts in both ways. The relationship between the two is of particular interest to this study. The static effects of integration, most regularly studied, are associated with trade diversion and trade creating effects. However many studies have already pointed out that regional integration is likely to be trade-diverting in the South-South regional blocs, [4] which is due to a change in welfare resulting from low-cost imports being replaced by imports with high input costs.[5] The interest for regional integration continues to dominate scholarly debate discussing the benefits of consolidating a domestic reform agenda.[6] This is especially interesting to study in a close association with multilateral agreements.

The main objective of this study is to focus on the economic partnership agreement (EPA)between the European Union and one of the members of the ACP regional bloc countries

[1] Hallet and Braga 1994
[2] Newfarmer 2006: 314
[3] Hallet and Braga 1994
[4] World bank 2000
[5] Pelkmans 2001:94
[6] Mensbrugghe 2005: 318

(which include Africa- the West Indies and the- Pacific) - the West African agreement (ECOWAS), examining both intra-regional trade flows of its trading bloc in the past decade and looking at the role of EU-ECOWAS trade patterns. The generalized system of preferences the (GSP) put forward by the EU towards ACP-regions make it possible to analyze EU-West African relations.[7] The economic partnership- agreement the (EPA) is also a step towards formalizing the relations between the EU and the West African regional community in terms of bloc to bloc regional dialogue. This study conducts a quantitative analysis of data available between 1996 and 2008 showing for trade between ECOWAS and the EU in order to observe the impact of the EPA and the GSP.

The expected EPA implementation intends to provide aid to African countries in order to differentiate domestic markets and eventually liberate the developing countries from high dependency on primary products. The common view is that overly reliance on these products is the main 'stumbling block' that prevents growth and development of many southern economies to pick up. Theoretically, the dynamic effects of integration are primarily the scale factors and competition factors that allow larger market shares and technological progress since cost per unit is reduced and so is the likely bargaining position of the region as an economic entity.[8] However regional integration could be established to effectively integrate developing countries in the world economy,[9] harmonizing the relationship between regional integrations and multilateral agreements.

1.1 Research questions:

The aim of this study is to closely analyze the direction of the trade effects of ECOWAS with the EU. The research question is phrased in line with the following:

In what ways have West African intra- regional trade flows been adversely affected by the ECOWAS-EU preferential access and negotiations of the economic partnership agreement (EPA)?

[7] Bourdet et al 2007:31
[8] Nello 2005: 103
[9] Karen E Smith 2003:84

How can ECOWAS' Regional Integration Agreement (RIA) benefit from increased cooperation with the EU on the basis of preferential agreement (EPA) that is governed by the reciprocity principle? What kind of obstacles are there that might impede successful integration processes?

1.2 De-limitation:

There are a number of studies that have researched the trade effects in West Africa with respect to the EU-ECOWAS economic partnership agreement. The intent of this paper is to integrate the findings of the previous studies. The time of analyses is between 1996 and 2008. 2002 is the first year when EPA negotiations between Africa, Caribbean and Pacific (ACP) and the EU have been launched.[10] The context of recent world financial crises as the main outside factor influencing global and regional trade will not be the focus of this research.

Due to the time limit and lack of comprehensive statistical methods, the study will focus on the EPA impact on trade expansion, from the viewpoint of trade diversion and trade creation outcomes in an intra-regional integration perspective as a starting point for this study. The most simplified approach this study will adopt is to look into developments in the ECOWAS-EU export volume as a share of the total trade and compare it with the intra-regional export volumes among the ECOWAS members.

1.3 Disposition:

The essay is structured as follows: - An introduction of the study: Aim, purpose and research questions and the relation of these to previous studies. The second chapter will present different theoretical approaches such as integration theories and the theory of customs unions, North-South regional agreements and a discussion of the multilateral and regional agreements. The third chapter will present the case of ECOWAS'- achievements and progress. The fourth chapter will analyze the history of intra-regional trade flows as well as the latest available inter – ECOWAS-EU export flows between 1996 and 2008. The region as a whole will be used for interpretation of the results but separate countries belonging to the Monetary Union of West Africa and -non-

[10] Bilal, Braun-Munzinger 2008: 3

members will be selected into separate individual groups. The data will be retrieved from Ecostat, ECOWAS' official website, reports from the IMF and the World Bank and the WTO will be cited as secondary material. In the last chapter conclusions will be drawn.

2. Aim, purpose and problem formulation:

This paper seeks to analyze closely the intra-ECOWAS negotiations of the Economic partnership agreement (EPA) with the EU. The expected implementation of the regional agreement makes it relevant to discuss the advantages that developing countries can draw from the enlarged market resulting from the inclusion of the EU. A complete economic integration in Africa is often difficult and not unquestionably positive.[11] This is the reason for addressing the underlying issues of concern associated with the struggle of developing countries to become self-sufficient masters of their own developmental processes on a reciprocal basis with developed countries. To conduct this research an approach of multilateralism versus regionalism will be adopted, the method used to describe and analyze the inter-regional arrangement. However, the analysis will focus on ECOWAS and intra-trade as a dependent variable and ECOWAS' export share to the EU as an independent variable. The research will integrate previous findings obtained in former studies. The statistical data will be complemented with a qualitative literature review. The analysis will discuss the static effects of integration in particular and address the dynamic effects thereof in an analytical discussion.

[11] Longo 2001: 9

2.1 Previous studies:

Some of the findings in recent research suggest that regional arrangements in developing countries have mainly been driven and facilitated by the EU. One drawback of regional integration is that it falls short for expectations associated with the improvement of developing countries' terms of trade.[12] Hoekman suggests that regional trade tends to be negatively affected by a multilateral trading system because of the 'higher incidence of trade restriction.'[13] Also some concerns have been expressed regarding free trade agreements (FTA) are their likelihood of marginalizing the government's resolve to strike a multilateral deal. [14] The FTA is likely to be an illusion that makes it look like negotiations produce results.[15] However, Hoekman counteracts this by suggesting that there are objective differences between customs union and free-trade areas. Only members of the FTA are in a position to lower their tariffs for non-members.[16] Schiff and Winters also conclude that North-South regional agreements generate lower tariffs for the manufacture of products that are capable of providing developing economies with the bulk of their supply needs.[17] Gravity models are the most common research methods predicting that intra-regional trade is expected to be moderately low due to smaller levels of per capita income as well as GNP.[18] These models are adequate in controlling for time variables and structural variables, explaining - large volumes of trade between ECOWAS and the EU. Gravity models apply a quantitative research design to view bilateral trade flows between design to generalized system of preferences (GSP) regimes and economic partnership agreements (EPA).[19] However, gravity models suffer from a drawback and have often been criticized for lacking theoretical footing due to an excessively empirical approach.

[12] Masson 2001: 8
[13] Hoekman 2009:357
[14] Oxfam briefing paper 2007:7
[15] Ibid.
[16] Ibid.
[17] Schiff, Winters 2003: 73
[18] Ibid.
[19] Nello 2005: 102

Melaku et al discuss WTO compatibility with EPA on an inter-regional basis. The authors find that inter-FTA EPAs face legal difficulties unless region–to – region arrangements are effectively introduced.[20] Bourdet and Gullstrand argue that with the creation of a West African' customs union, the UEMOA (Union Economique et Monetaire Ouest Africaine) region has not produced trade-creating advantages for its members. This outcome is largely explained by poor infrastructure and various non-tariff administrative and technical barriers. However some small gains have been achieved as a result of regional integration with respect to international specialization.[21] Busse analyzed the trade effects of EPA on ECOWAS using partial equilibrium models. The study concludes that trade creative effects for West African states are in absolute terms much greater than trade-diversion effects.[22] There has been an increase in EU-imports to West African states between 3.6 and – 12.5 per cent for separate countries.[23] Frontagne et al find that although ECOWAS' trade with the EU reveals the region's high marginal propensity to import, compared to the rest of the world the region gained in relative export surplus.[24]

Also the change in policies from the EU – preferential bilateral agreements towards the full-scale liberalized trading regime has given some countries more incentives to pursue the regional reforms. Venables argues that in South-South intra-regional arrangements a low income country's comparative advantage that is very different from the world's average is likely to harm the domestic economy. In other words a country with a very different comparative advantage is going to suffer from trade diversion and hence subsequent income losses.[25] Venables further concludes that a higher concentration of economic activity is characteristic for a low – income countries in the FTA. This further drives smaller countries towards convergence with high – income countries. The implications hereof are likely to be greater income divergences within the FTA. The main conclusion is that higher income divergences do also contribute to richer countries benefiting at the expense of the poor. Though Karingi et al estimate that the effect of EPA would decrease the EU imports to ECOWAS by approximately USD 1, 87 billion where the trade diversion for ECOWAS is almost insignificant, namely -7 per cent. Karingi et al further conclude that the intra-ECOWAS integration seems to be adversely affected as trade-diversion

[20] Desta 2006: 1346
[21] Bourdet et al 2007: 134
[22] Busse 2004: 26
[23] Ibid.
[24] Frontagne 2008: 29
[25] Venables 1999: 1

reaches minus 6.7 per cent.[26] Also Adenikinju and Alaba found that in terms of an increase of EU imports into the sub-region it saw a 9. 62 percent rise (USD 390.8 million) while the preference for EU imports as opposed to non-EU imports has risen by 5.77 percent. However the study does not control for divergences within the region's individual countries.

3. Theoretical framework:

3.1 Integration theories:

Regional integration agreements are not only characteristic of this day and age. Historically the efforts to pursue economic integration are almost identical to the motives of mercantilism. Economic mercantilism is a tendency to view imports as unwanted, 'welfare losses' and therefore something to be avoided. This idea stems from belief that exports are good and imports are bad because the former bring in foreign exchange whereas the latter deprive the country of the same.[27] This equation seems to be relevant even today. The modern theory of economic integration that is prevalent today could be explained with the concept of inter-dependence (globalization). Globalization means mutual dependence as countries with similar economic interests, such as trade and investment, seek alliances with each other. Economies in the south are commonly constrained by their economic size and the land-locked nature of their production. The choice to pursue regional economic integration translates into *competition and scale effects* which further translate into a more unified and integrated single economic zone.[28] The extra-bloc countries suppliers are also faced to relate to this change on the international market which offers greater investment capabilities. The result of the changes in prices for imports is a greater inflow of foreign direct investment (FDI) into the third economy.[29] Longo 2001 argues that foreign entities, the international corporations, also consider both the size of the market and a tax-free access as a bargaining chip for production allocation.[30] The market enlargement entails attractive

[26] Karingi 2005:68
[27] Hoekman 2009: 21
[28] World Bank 2000: 29
[29] Ibid.
[30] Longo, Kekkat 2001: 14

solutions for the high-income partner country as well as for the low income partner country through 'internalization of the benefits.'[31] The latter could be used for local advantage and to "generate the threshold scales necessary to trigger the much-needed strategic complementarities."[32] FDI transmits the transfer of technology, market intelligence and organizational know-how.[33] Multilateral agreements enable these processes by analyzing the proximity of the country's trading regime to free trade (multilateral regime). [34] In this context developing countries are also more prone to negotiate the EPA if it allows them to access developed markets.

3.2 Static effects of regional integration:

The theory of customs union claims that gains from economic integration are drawn from the distinction between trade creation and trade diversion. It is the static effects of integration that are observed.[35] The effect of regionalism, it is argued, depends upon whether trade creation or trade diversion is the dominating factor. Trade creation occurs when there is a net gain for a producer country. Gains are assumed to be generated from large industries and higher degrees of specialization. The industry is considered to be large enough when it attains the optimal level of scale and when the costs per unit are reduced.[36] When the demand shifts as a result of the substitution by cheaper imports from the other bloc with more expensive domestically produced ones it entails trade-creation.[37] Trade diversion, on the other hand, occurs from the protection granted to the domestic producers which in turn displaces cheaper extra – bloc imports. The extent of trade diversion is dependent upon the level of granted support- against external competition. Possible forward linkages will generate higher prices paid by consumers and displacement of low cost input-source with high cost input-source. Tariff protection from the

[31] Hoekman 2009: 350
[32] In Longo, Kekkat: Elbadawi (1997: p. 213)
[33] Longo, Kekkat 2001: 14
[34] In Bhagwati 1999: Krugman 1998
[35] Nello 2005: 103
[36] In Bhagwati 1999: Viners 1950:110
[37] Schiff, Winters 2003: 31

outside bloc is effective if it entails a more expansive source of input-cost.[38] A desirable goal of economic integration is thus to ensure trade creation. The trick is to find the balance where trade creation does not lead to the excessive tariff protection of the inefficient industries that artificially maintain higher prices.[39] Further industry expansion, under the condition of trade creation is explained by the law of marginal diminishing returns. It is the condition of rising unit costs when output increases.[40]

3.3 North-South regional agreements:

Examples of regional integration agreements are those of arrangements between the EU and developing countries, mainly the southern developing countries. Along with the two well developed trading regions, the EU and The United States, the Northern region with a high capital concentration and efficiency in input production is the key trading partner for southern economies: it offers an important supply chain for developing countries. One way of looking at regional integration among developing countries is as a consequence of multilateral success. Regional integration, through the establishment of FTAs enables the inflows of FDI thereby insuring that the necessary reforms are instituted.[41] In other words, multilateral agreements strengthen reform *consolidation* of the southern region. As a result the North-South RIAs are generally larger than the South-South RIA by 11-25 times.[42] This theory, in line with the lingering implementation of economic partnership agreement (EPA) between ECOWAS and the EU would be adequate in analyzing the progress in North-South regional enlargement.

There are also numerous gains for southern partners to reap from the formation of North-South regional grouping. Firstly, with the removal of tariff protection the southern partner is able to increase the supply chain of the imported products and improve consumer choice with enhanced product availability. If marginal propensity to import increases as a result of the bloc formation, improved access through forward linkages transmits the effects into the domestic economy. Import- rise also contributes to improved competition and price convergence to the higher levels

[38] In Bhagwati 1999: Viners 1950: 106
[39] Economic development in Africa 2009
[40] Viners 1950
[41] Schiff 2000: 7
[42] Schiff 2000: 6

of the North. Consumption-switching behavior would be triggered as a result, entailing the allowance of cheaper goods from the extra – bloc country to substitute the domestically produced high-cost goods.[43] The import flows from an intra-bloc country on the other hand can be diverted away if domestic imports are substituted by imports of the extra- bloc country. This is a situation when an outside member region produces goods at lower costs when both regions face the same levels of protection.[44] To evaluate the total welfare effect of a regional integration agreement with respect to a Southern partner one needs to weight the balances between trade diversion and trade creation carefully. Trade creation normally occurs if the share of imports in GDP has increased which is characteristic of an open economy. Trade diversion, on the other hand, occurs when non-partners' share of imports in GDP terms has fallen.[45]

The formation of a regional integration agreement is a desirable goal also because it allows for better preferential access for firms to a partner country's market than what is possible under unilateral liberalization. As Schiff argues, consumers and government revenues stand to gain from preferential access. The drawback, however, is that tariff revenues in RIAs are translated inefficiently and it is unclear whether they are transferred to the consumer or the producers of a partner country.[46]

Additionally, tariff transfer is relevant for the North-South trade agreements because it puts the region of the developing countries in an unfavorable position due to higher concentration of import over export ratios. This clearly puts downward pressure on GDP growth through reduced export revenues. Another issue is the relative freedom of international companies to locate in developing countries' markets through preferential access. The removal of tariff protection allows a high- income country to advance resource exploitation and utilization of a developing country's market.[47] In the following logic a developed country is able to capitalize on its comparative advantage in technology at the same time. The question often debated is whether utilization of gains is in line with the developmental needs of a southern economy.

[43] Economic development in Africa 2009
[44] Hoekman 2009:351-352
[45] Schiff, M and Winters 2003: 37
[46] Schiff, M and Winters 2003: 36
[47] Ibid.

3.4 Multilateralism and regional integration:

The question often raised is what effect regional integration has on multilateral liberalization. Indeed there is no empirical evidence to suggest that regional integration contributes to a point in transition towards multilateral liberalization. Many trading arrangements are unique and an issue for analysis themselves.[48] Nonetheless, the promotion of regional-integration might be viewed as a route towards multilateralism, attained by a way of a *convergence route*. A convergence route is a process of dismantling the trade restrictions that compel members to harmonize regulation systems, triggering greater harmonization regulations after the region achieves greater competitiveness and greater profit margins.[49] For this reason Hodu argues that the WTO rules and limitations on regional agreements are appropriate since they aim to harmonize arrangements between regional and multilateral agreements.[50]

3.5 Hypothesis:

This study will try to approach ECOWAS-EU's regional dialogue from the point of departure of the theory of North-South regional agreements (RIAs). The prediction, in the words of Schiff, is that liberalization in the south-south agreements is less responsive towards developing countries than liberalization in the north-south agreements. This is explained by the fact that a more developed partner country possesses very different factor endowments than its southern beneficiary. Hence members of the North-South regional agreement are more prone to efficiently utilize their comparative advantage than the South-South RIA's members are capable of doing. Consequently the North-South RIAs offer greater assistance to developing countries to access

[48]Hoekman 2009: 357
[49]Hoekman, Winters 2007: 4
[50]Hodu 2009: 228

high-income markets than among their own beneficiaries.[51] Trade liberalization hence serves utilization of comparative advantage by focusing on the production of factor intensive goods, that can later be exchanged for high-cost capital intensive products, the argument supported by North-South RIAs.[52] The expectations associated with the North-South RIAs is that agreements will generate more industry for economies in the south than would be generated by multilateral liberalization alone . This is observable by relating the southern partner's total exports shares to the northern partner. The expectation is also that non members of the FTA and WAEMU are likely to lag behind in both industrialization and gains obtained by the greater market access.[53] Relating it to the issue of EPA, the prospects on intra-regional trade as argued by Goretti et al, the EPA is likely to put downward pressure on the fiscal balance of the West African Monetary Union the (WAEMU) when customs revenues are reduced. Higher marginal propensity to import will adversely affect the intra-trade flows. In other words the risk is that with realization of the EPA a gradual increase in the EU import flows might undermine the achievement of economic growth. In the context of EPAs the industrial products of a high-income country would seem to be cheaper and more competitive.[54]

4. The Economic community of West Africa - Background

The history of West Africa's economic formation stretches back to the 1960s when most African states gained their independence from the former colonial powers, Brittan and France. Britain and France have also been active in establishing new frontiers in West Africa to retain their own 'spheres of influence' on the African continent and to distinguish between French and English speaking populations of the region. Newly-won independence was by no means a bloodless process leaving, in many respects, fragile states to battle on with their sovereignty and in many cases the prevalence of disorder, civil war and internal conflicts. As the dust finally settled African unity was declared to be the new paradigm and the only right step forward. As a result of their engagement with former colonial powers the African leaders became increasingly preoccupied with adapting a "functional cooperation strategy" at the sub-regional level.

[51] Venable 1999
[52] Schiff, M and Winters 2003:73-74
[53] Schiff, M and Winters 2003: 9
[54] Goretti et al 2008: 383

Experiences from regional integration have proven to be most beneficial for land-locked since these can easier gain access to harbor facilities. Meyer et al argue that land-locked countries are able to reap greater benefits from multilateral liberalization due to the cost of marginal intra-regional imports being higher on average. However, evidence shows that the opposite has been the case. The expected benefits for land-locked countries have not occurred since coastal countries have felt threatened and therefore created administrative and physical obstacles for the land-locked such as customs procedures and roadblocks.[55]

The Lomé agreement in 1975 was the first treaty signed by West African Economic Community (ECOWAS). It was signed by 15 new member states that include Benin, Gambia, Guinea, Guinea Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Sierra Leone, Senegal, Togo and Burkina Faso (now Upper Volta).[56] The first regionalization attempts were motivated by the "desire to overcome the small economic size."[57] To make it possible to effectively industrialize and diversify through acquiring access to products with added value. Clearly the treaty also states the aim "to promote co-operation and integration, leading to the establishment of a free-trade zone in West Africa. The ultimate goal is "to raise the living standards of its peoples, and to maintain and enhance economic stability, foster relations among Member States and contribute to the progress and development of the African Continent."[58]

Economic integration also includes the objectives to build a functioning monetary union in West Africa. A functioning monetary union, (WAEMU) is believed to be complementary to widening regional integration, increasing trade volumes and building common institutions.[59] The recent efforts to create a monetary union arose as a result of the meeting in Togo in 1999. The Accra Declaration signed in April 20, 2000 states the interest of 6 non-WAEMU countries belonging to ECOWAS to create a second common currency in the region apart from the convertible currency – the CFA franc.[60]

[55] Meyer et al 2010: 11
[56] Ogbeidi 2010:482
[57] Aryeetey OECD 2001:10
[58] Treaty of ECOWAS 1975
[59] Masson, Pattillo 2001:8
[60] Masson, Pattillo 2001: 4

The Accra summit has set up convergence criteria intended to be fulfilled by the end of 2003. The main elements described in the criteria include:

1. Maximum budget deficit, excluding grants, of 4 percent of GDP;
2. A rate of inflation of no more than 5 percent;
3. Gross official reserves covering at least six months of imports of goods and services
4. Central bank financing of the budget deficit limited to 10 percent of the previous year's tax revenues.[61]

Finally, the convergence criteria mention that the WAEMU countries are obliged to stay within the acceptable ranges of the above regulations. Though the differences between the convergence criteria of ECOWAS and the convergence criteria of WAEMU are obvious, the harmonization efforts of the two criteria have not been achieved. The WAEMU, for instance, aims to attain a budget balance of 0 percent of GDP and an inflation rate of 3 percent.[62]

In terms of implementing the liberalization schemes, the region only progressed with the establishment of the free-trade area. Under the trade liberalization scheme (TRS) most of the members of ECOWAS including Niger, Senegal, Nigeria, Mali, Guinea, Burkina Faso, Ghana, Gambia, Sierra Leone, Cote d'Ivoire and Togo have abolished tariffs with respect to unprocessed products. Concerning the industrial products, Benin is the only country in ECOWAS that has eliminated the tariffs.[63]

The regional developmental strategy had been pursuing initiatives to achieve integration in the spheres of the cross-border sectors like air transport, energy and telecommunications. Concerning ECOWAS this initiative has been made manifest through the facilitation of intra – regional travel, transport and conflict resolution. Also the WAEMU (UEMOA) has sustained efforts to include public finances, competition and investment as its key issues.[64] The task is to achieve deepened integration by consolidating previously created bi-polar institutional structures. The

[61] Masson, Pattillio 2001:5
[62] Ibid.
[63] WAEMU Commission, 2006
[64] World Bank 2001

two institutions are thus necessary to create greater internal collaboration as a result of increased contact and the exchange of information.[65]

4.1 ECOWAS' trade structure:

ECOWAS' regional trade structure is dominated by agricultural products, followed by the export of raw materials. The regional share of agricultural exports to the EU comprises 31.3 per cent of the total in 2002. The export of raw materials is approximately 56.4 per cent. The region's two biggest economies are Nigeria and Côte d'Ivoire, that together account for more than 62.7 of the GDP in the region and 13 percent of total GDP in Africa.[66] The shares of Nigeria and Côte d'Ivoire are 47.4 and 15.3 percent respectively. Nigeria is the only country in the region that processes vast oil reserves. Oil exports account for 95 percent of the total exports to the region. Nigeria constitutes half of the entire ECOWAS population. However Nigeria experienced a slide in oil production following the 1973 oil crisis, leading the economy to fall from 60 % to 50 % of total oil production.[67]

Table 1: EU-ECOWAS Trade Structure, 2002

Product category	EU exports to ECOWAS % in mil. USD		EU imports from ECOWAS % in mil. USD	
Agricultural products	1,864	17,0 %	2,902	31,3 %
Raw materials	806	7,3 %	5,231	56,4 %
Manufactured goods	8,301	75,7 %	1,147	12,3 %
Total	10,971	100,0 %	9,280	100,0 %

*Source: Busse

[65] World Bank 2001
[66] African integration review 2009:5
[67] Zouhon-Bi et al: 3

The trade structure of ECOWAS to the EU presented for 2002 consists of mainly agricultural products which constitute 31.1 per cent of the combined exports to the EU whereas raw materials constitute 56.4 per cent of the total exports. Manufactured goods comprise only 12.3 percent of the total exports to the EU.

4.2 EPA Negotiations:

The ECOWAS and the EU have a long history of economic cooperation going back to colonial times. Since the yearly 1970s the negotiations entered a significant phase when the EU presented a new framework for cooperation specified in the Lomé Conventions. In this agreement the EU outlined the support for Sub-Saharan economies in terms of provisional support for diversification and stabilization packages for the prices of commodities (primary products).[68] The agreements specified in the Lomé Convention failed to deliver the desired results set to make Sub-Saharan countries become dependent on primary products. Sub-Saharan trade to the EU has also deteriorated and the objectives achieved by the Lomé Conventions were disappointing to say the least.

The 2000 Cotonou agreement later tried to rework the principles of the Lomé conventions by introducing the reciprocity rules. It has also become the main feature of the Economic Partnership Agreement (EPA).[69] The problem was that the Lomé convention offered unilateral preferential access to the EU markets. At the time it became increasingly important to recognize the WTO conformity to deal with non-discrimination rules against non-ACP countries. The Most Favored Nation (MFN) principle outlined by the WTO calls for all trade agreements to be reciprocal and inclusive to all products that are part of it. The other option compatible with this conformity was to either extend the privileged unilateral access to the market to all developed countries or to extend it to only the least developing countries.[70] In this case the EU has to decide on whether to

[68] Karingi 2005: 4
[69] Ibid.
[70] G. Zouhon-Bi 2007

allow all developing countries to enjoy the preferential access to its market or to allow those countries accepted as most marginalized in terms of economic development. To this day the EU-ECOWAS regional dialogue seems to continue to discuss this issue in negotiations.

The EPA agreement is an agreement that has a purpose to direct developing ECOWAS members from the system of non-reciprocal trade preferences towards the reciprocal one that is WTO-consistent on the basis of EU-ACP regional agreements.[71] In essence the ratification of EPA means opening up the domestic market of ECOWAS to all products imported from the EU, set to be accomplished within a 12-year period, between 2008-2020.[72] Commitment towards the complete liberalization of trade is essential in the assimilation of ACP countries into multilateral integration. It also implies advanced ramifications for integration within the FTA apart from trade. These ramifications include: "political dialogue" between the EU and ACP countries 'which deals with questions of civil society organization essential for democracy promotion, "good governance," respect for the rule of law, protection of civil liberties and so on.[73]

The start of EPA negotiations was in 2002. Firstly the negotiations were set to be completed by 2007. At the moment the ongoing EPA negotiations are still in progress. The continuation of it is explained by the fact that many ECOWAS countries are not in a position to enter the agreement and fear that complete removal of tariff protection would be harmful for the prospects of customs revenues in the exports sector. Concerns have already been voiced that the EPA may lead to significant losses in the export sector as a result of the reciprocal elimination of customs duties.[74] The result of the elimination of tariff protection may also lead to increased unemployment and provoke insecurity and political instability.[75]

An alternative to EPAs is the EU's General System of Preferences, the (GSP). It is an un-reciprocal tariff preference to the countries aiming to encourage LDCs export from the fragile sectors to the EU. It is viewed as more in line with "aid for trade" argument. The purpose of non-reciprocal trade is to enable easier access to the EU market for industrial products. This transmission is a necessary catalyst that will change unfavorable terms of trade with the EU.

[71] G. Zouhon-Bi 2007
[72] Busse 2004: 6
[73] Karin E Smith 2003:122
[74] Adenjkinju, Alaba 2005: 3
[75] Busse 2004:7

However the bilateral dialogue undermines conformity with WTO liberalization principles. The intra-RIA dialogue is thus to be promoted such that no country shall individually benefit from the preferential access to the EU apart from what is negotiated on the inter-regional level.[76] In this case the "Everything but Arms" initiative proves its relevance, granting developing countries quota and duty free access for all products except arms.[77] The latest 'interim' EPA between the ACP (African-Caribbean-Pacific) group and the European Union was held in October 2009. It urges the EU to lift its quotas on sugar imports from 41 countries of ACP states defined by the UN as least-developed countries. The agreement with regard to imports is supposed to be valid until 2015.[78]

After t 31 December 2009 the EU lifted the remaining barriers on rice exports from the ACP group. In doing so the EU opened its economy nearly completely to the African region. The latest negotiations with ACP states imply nearly complete freedom to export goods to the European Union on a duty-free and quota-free basis. It nevertheless allows for the existing protection of infant industries in developing countries infant industries to remain in place.[79] The EU has been criticized more vocally on the issue of WTO liberalization conformity rules and principles of non-discrimination. The critique points out that the EU negligent towards its commitment to respect the principles and rules of a liberalized free-trade agenda stating that competition should be fair and efficiency friendly. The harmonized trade policy is still an issue to sort out in order to come to terms with an acceptable agreement among the regions.[80]

4.3 ECOWAS – EU state of negotiations:

The pattern of West African trade with Europe is, as argued, directly dependent on its history (colonialism) and culture (language).[81]Moreover the countries of the West African region are among the main trading partners in the ACP group with which the EU has formalized trade

[76] Bourdet et al 2007: 98
[77] Bretherton, Vogler 2006:112
[78] Hallaert 2010: 227
[79] World Bank 2009
[80] Goretti, Wiesfeld 2008: 17
[81] In Longo, Elbadawi (1997)

relations.[82] Regional integration among West African states has in many ways been facilitated through the creation of the West African Economic and Monetary Union (WAEMU) in 1994. The steps to create WAEMU have come as a response to the CFA franc devaluation relative to the French franc in 2004.[83] Previously the WAEMU countries pegged their convertible currency, the CFA franc to the French franc but since 1999 the CFA franc has been pegged to the Euro.[84] This made the EU all the more of an important partner in the business of ECOWAS to pursue lucrative regional agreements. ECOWAS' member states conducts not more than approximately 10 percent their international trade within the region whereas 40 percent of the region's trade is with the EU.[85]

The ECOWAS countries which include Ghana, Guinea-Bissau, Benin, Mali, Liberia, Nigeria, Togo, Mauritania, Burkina, Cape Verde, Niger, Senegal, Sierra Leone, Cote d'Ivoire (Ivory Coast) and Gambia account for 40 percent of all of the EU-ACP trade. At the other side of the receiving end, the EU makes up 32 percent of West Africa's trade. According to the EU, all 15 states are defined as least-developed countries excepting for the Ivory Coast which is also the place where 80 percent of the region's exports to the EU come from.[86]

The recent Interim[87] EPA is a step towards freer access to the EU single market for vehicles and chemicals considered to be too competitive relative to the domestic producer. It is expected to open a window of opportunity for countries that stay committed towards "protecting fragile economic sectors" by retaining the required tariffs and quotas. [88] The agenda also intends to enable West African economies to realize the commitment towards the "integrity of agricultural sector," which is considered to be both strategic and sensitive to commodity price fluctuations. The bottom line for the domestic producer protection is to strengthen the competitiveness of the West African export sector through primarily enhancing capacity-building.[89]

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[82] European Commision in Trade: The ACP regions
[83] Goretti, Wiesfeld 2008: 5
[84] Masson, Pattillo 2001: 8
[85] Masson, Pattillo 2001:29
[86] European Commission trade
[87] EPA interim commonly denotes the unfinished aspect of negotiation process, see for ex. Hallaerty 2010:225
[88] Goretti, Wiesfeld 2008
[88] Ibid.

The creation of WAEMU is an important step towards proceeding with the fully operational customs union. There are, however, several stumbling blocks that both the EU-ECOWAS economic partnership and West African regionalization face. As argued by M. Goretti and H. Wiesfeld the structural hindrances, weak governance and poor transport infrastructure are preventive to the implementation of regulations required to deepen integration.[90] Furthermore, most countries of the region are landlocked with no concrete transport or communications facilities to the coastal harbor: [91]this reproduces idleness among many West African states that are restricted in their freedom to cross the frontiers. It also re-produces previously discussed developmental divergences between coastal countries and their landlocked counterparts.

5. Empirical Analysis:

A number of attempts have been made to measure the effects of regional integration. One useful method is to measure the share of the total trade that takes place among RIA agreement partners. The approach of this study is to measure the effect of EPAs on intra-regional trade. In order to find out if the expected increase in trade between the EU and ECOWAS as a result of tariff cuts takes place and, if it impacts on the intra-regional dynamics in the direction of trade-diversion or trade-creation, one may use the export share of total trade to observe the trend lines and possible divergences between separate countries of the region. For comparisons between the countries belonging to ECOWAS the study adopts the comparable statistics of the intra-regional trade with respect to members of the WAEMU and non-members of the WAEMU (ECOWAS). One

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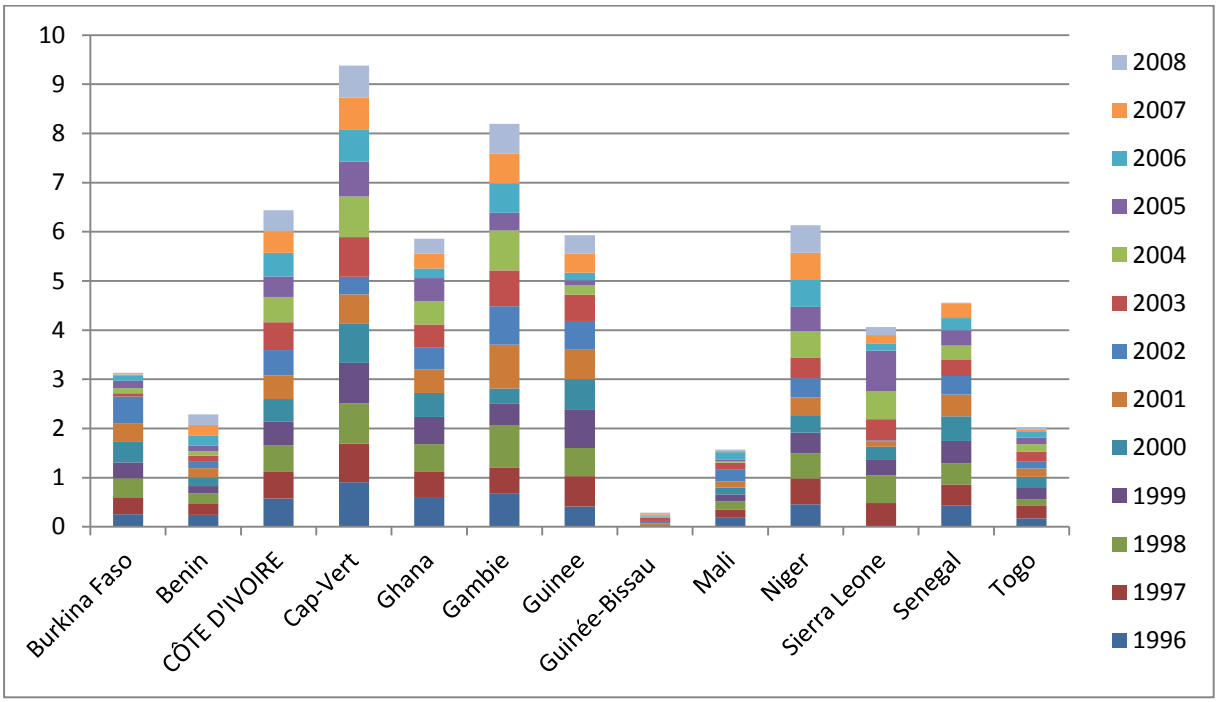
90 Goretti, Wiesfield 2008

91 see also Longo, Kekkat 2001: 21 analysis of infrastructure relative landlocked countries

country, Nigeria is missing from the following statistics due to lack and unavailability of data. The fragmentary picture will be compensated for by an explanation based on qualitative sources.

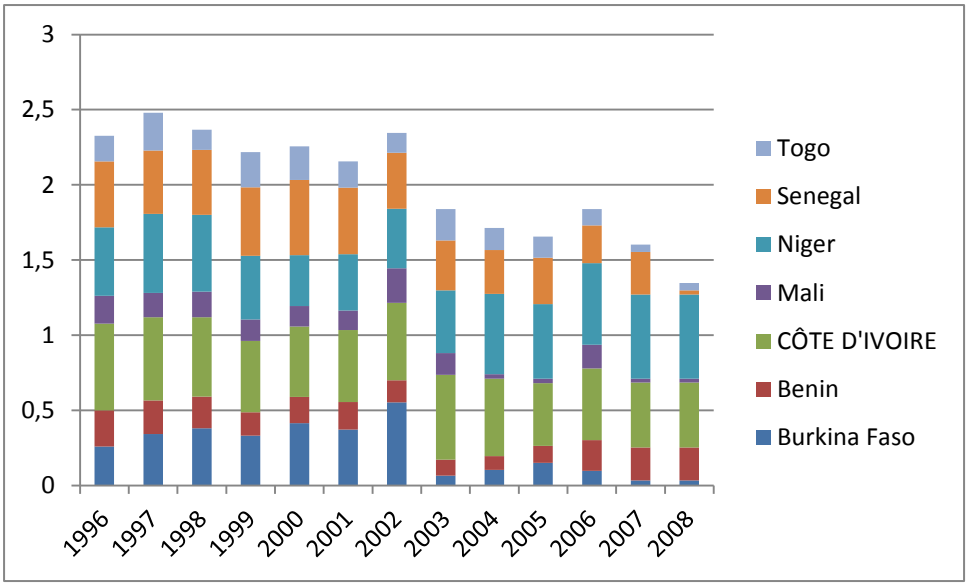
5.1 ECOWAS/WAEMU export shares to the EU, 1996-2008:

Figure 1: ECOWAS exports shares to the EU, 1996-2008



*Value in dollars (US). Source: Ecostat, Export par Pays par Regions %

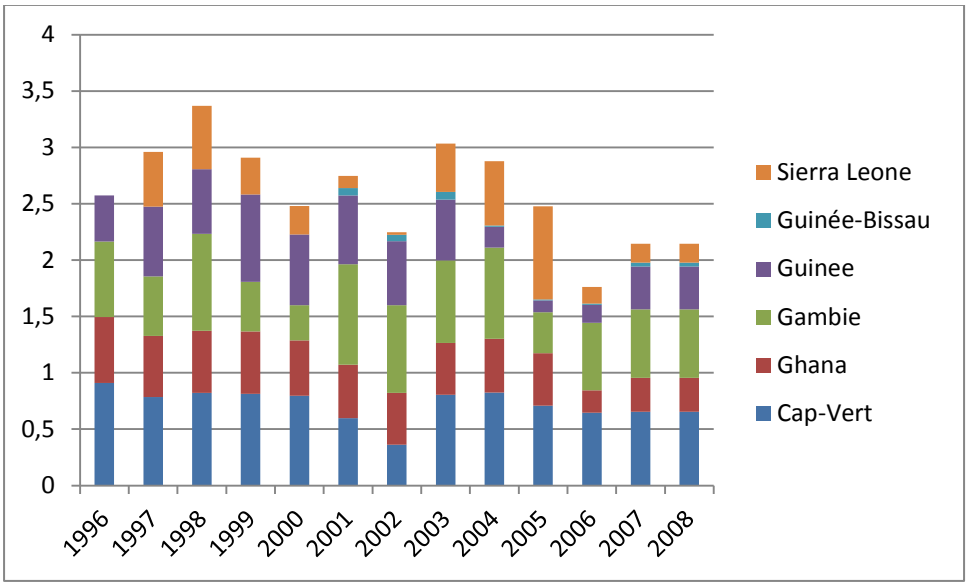
Figure 2. WAEMU-EU exports share, 1996-2008:



The statistics presented above presents the countries with respect to WAEMU and non-WAEMU groupings. In order to add clarity to the trade shares for each country and bring structure to the interpretations, it will be necessary to separate the WAEMU from the ECOWAS countries (non-WAEMU). From the results obtained regarding WAEMU countries it is easier to see that the share of total exports to the EU shows a worsening effect on exports shares. Burkina Faso's share of its total exports to the EU has been as low as 3.3 % in 2007-2008 and as high as 55 % in 2002, the years the country had the highest export ratio to the EU. If one compares the development in exports between 2002 and 2008 the country has experienced a significant drop from 55 % to 3 %.

Benin experienced rather moderate export figures to the EU as well, oscillating between 8.9 % in 2005 and 24.7 % in 2002. The years from 2004 saw a considerable boost that reached 20,1 % of the total trade in 2008. Among the region's biggest exporters to the EU, – Cote d'Ivoire, which in 1996 saw an export volume as high as 57.66 % had, by the end of 2008 reached its local minimum point, 43.3 %. However in relative terms the drop is not that big since the percentage of the total is still very high.

Figure 3. Non-WAEMU –EU export share, 1996-2008:

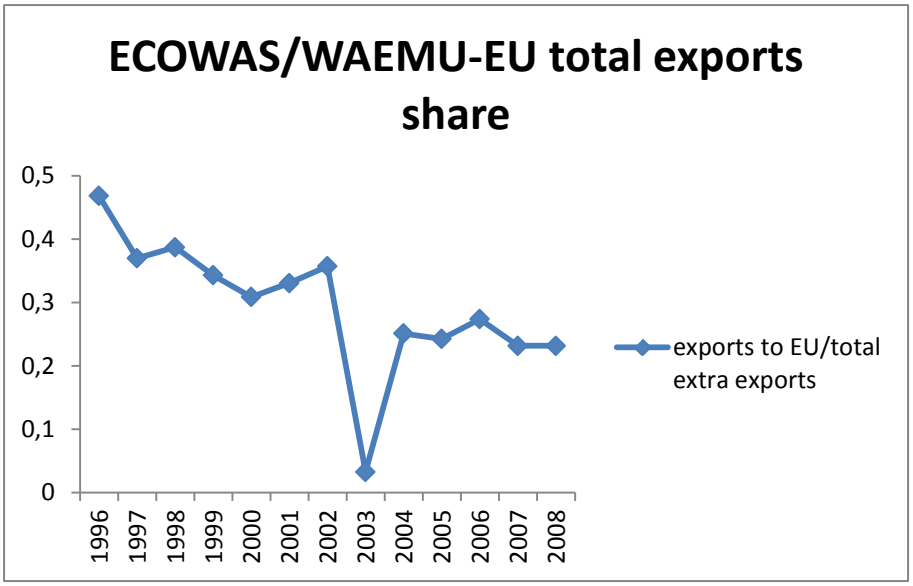


Guinéa-Bissau is the country with perhaps the most insignificant share of the total export trade. Its export trends were missing between 1996 and 2000, picked up at 6.49 % in 2001 until 2003 and was further deteriorated from 2004, reaching almost 0 % in 2005.

Sierra Leone experiences the highest fluctuation in the rise and fall of export shares to the EU. In 1996 the country saw 0 export shares to the EU, whereas already in 1998 the country saw a rise by roughly 56 % of export shares. Following the 2002 sharpest drop to 2.29 % of exports to the EU, the country once again experienced a complete rise by 82.59 % of its total exports.

In 2002 Cape Verde (Cap-Vert) similarly to Sierra Leone, experienced its minimal export share slide, which had consistently deteriorated since 1996 and reached a minimum point in 2002. In 1996 Cap-Vert exported 90 % of its total exports to the EU; by the end of 2002 the country exported only 36.6 %. Although the drop is not as significant as in Sierra Leone's case, the negative tendencies between the two cases might be somewhat correlated. The difference is that Sierra Leone did not have any export share to the EU in 1996.

Figure 4. ECOWAS-EU total export share, 1996-2008



5.2 Intra-ECOWAS trade in Africa:

Intra-trade in Africa is only a fraction of the total trade. It account for only 10 per cent of the total African exports.[92] Among the prime reasons for slow progress in trade is poor road network which is also a contributive factor in high transport costs. It is not too uncommon that various roadblocks reinforce delivery delays and constrain the free movement of peoples, goods and services.[93] In 1989 the total population of West Africa comprised 195 million people and 64 USD billion of GNP. West African region although economically underdeveloped is still the most diversified region in the Sub-Saharan Africa.[94] Despite relative diversification the ECOWAS members states encompass a very different production structures and 'divergent patterns of industrialization.'[95] Meaning the West Africa's community largest and most diversified economy is Nigeria's. Nigeria's population and GNP are equal to the sum of the other 15 members.[96] Cote d'Ivoire and Senegal are also relatively diversified and large economies of the (WAEMU) region. Cote d'Ivoire has a population of 17.3 million and a GDP per capita of USD710. Senegal has a

[92] OECD 2010: 10
[93] Ibid.
[94] Foroutan 1992: 4
[95] World Bank 1995: 20
[96] Foroutan 1992: 4

population of 11.1 million people and USD470 GDP per capita. There are also considerable disparities among intra-regional countries in terms of economic size and relative distribution of development. The ECOWAS (WAEMU) level of output is redistributed as follows: Cote d'Ivoire consists of 40 per cent of the region's output and Senegal 20 per cent whereas the rest account for less than 10 percent of total output.[97] Divergences in the relative level of development are explained by the fact that both Cote d'Ivoire and Senegal have more developed industrial bases.[98] Both Togo and Benin are coastal countries and thus with rather good transit roads. It puts both countries in a relative advantageous position towards the landlocked, such ones as Mali, Niger and Burkina Faso.[99]

Table 2. Intra-Arrangement Trade in Africa (Percent of total trade):

Exports	1970	1980	1990	1998	2003
CEMAC	4,9	1,6	2,3	2,3	1,4
COMESA	9,7	9,1	8,1	8,9	8,6
ECOWAS	**3,1**	**10,6**	**8,9**	**11,1**	**10,1**
WAEMU	**7,9**	**12,6**	**15,3**	**13**	**16,2**
SADC	9,4	2,7	6,9	6	6
Africa	8,8	5,2	7,3	10,5	9,3
Imports					
CEMAC	5,1	3,7	3,6	3,9	2,9
COMESA	6,7	2,8	3,4	3,9	5,8
ECOWAS	**3,3**	**10,2**	**14,9**	**12,9**	**11,5**
WAEMU	**6,4**	**7,6**	**14,8**	**9,8**	**13,3**
SADC	4,9	3,8	6	6,1	6,3

**Source: extracted from IMF, Direction of Trade Statistics, various issues (Washington).*

[97] Boogaerde 2005: 5-6
[98] Ibid.
[99] Ibid.

Figure 5. Intra trade in Africa, 1970-2003

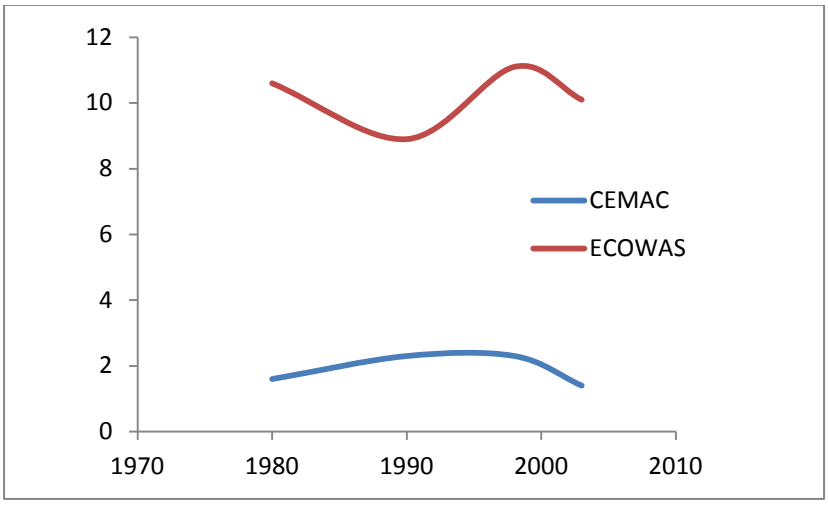


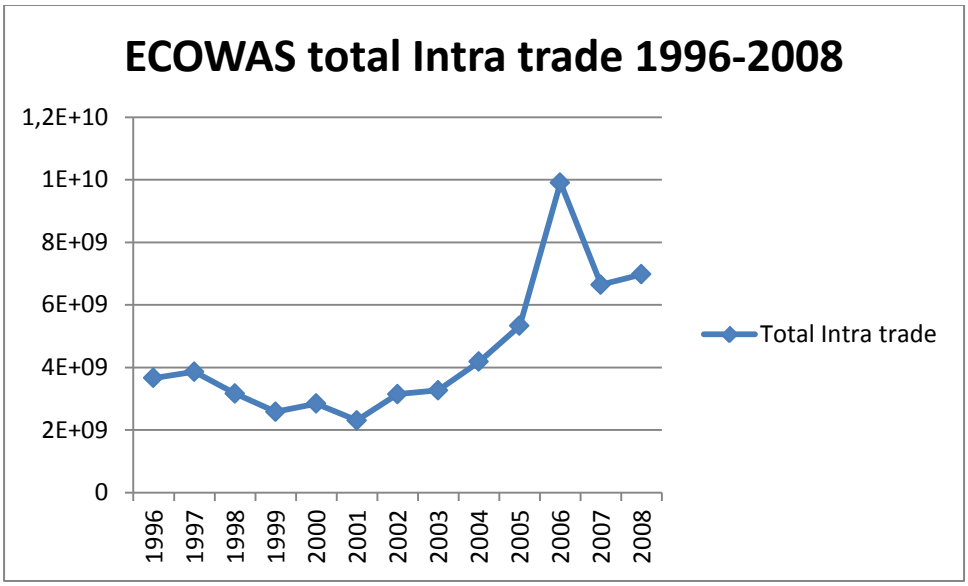
Table 1. above illustrates the relative position of the West African economic region and its relevance within the ACP regional grouping. Development has steadily although unevenly improved within intra-regional trade since 1970, falling in the 1990s and improving once again in the past decade. Export trade has increased substantially between the 1970s and the 1980s, but fallen in the following decade. As a result the exports have grown but only marginally between the 1990s and 2003. It could be seen that they were 8.9 %, 11.1 % and 10.1 % in the 1990, 1998 and 2003 respectevly. However there is a great disparity relative to other regions. For example if one compares with the economic community of central african states, (CEMAC) the export volumes have been continuously decreasing during the same time period, which is shown by the red line (ECOWAS) and the blue line (CEMAC). The similar case is with regard to intra-regional imports. It should be noted that intra – import flows, have to a large extent, increased sharply in the 1990s. It is also clear that for ECOWAS intra-regional imports increased more than exports.

5.3 Intra-ECOWAS exports, 1996-2008:

The WAEMU intra-regional trade inflows report positive trends for ECOWAS in the last decade. Between 2000 and 2006 trend lines show consistent intra-regional trade at around 11 percent of

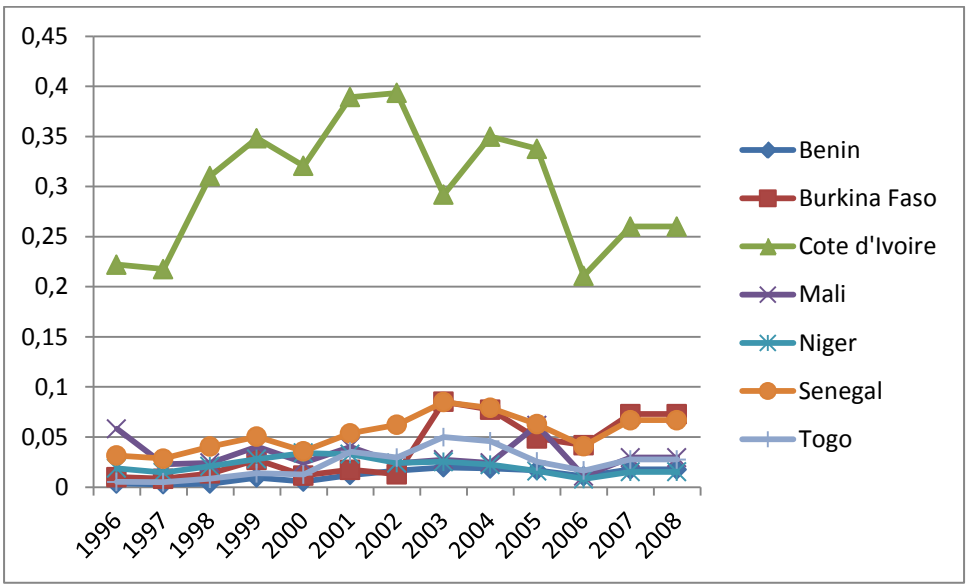
the total trade.[100] This indicates that WAEMU trade flows have more intra-regional trade increases than any other region in the ACP group.[101]

Figure 6. ECOWAS total intra-trade 1996-2008



*Source: Ecostat: directly retrieved, total intra trade 1996-2008

Figure 7. WAEMU intra-export share between 1996 and 2008:



[100] The free-trade area was officially created in 1996 while the effects of the FTA are registered for 2000-2008
[101] IMF working paper 2008

*Source: Ecostat: Intra-community exports of ECOWAS. Results obtained from ECOWAS exports shares in total intra-trade export volume.

In figure 7 above the ratio of the individual country's exports to the region as a share of total trade will be calculated by dividing the export volumes for a separate ECOWAS country with the total exports for a specific year. On average, the scale of intra-exports share is much smaller than the constituent exports to the EU. However the trend lines show consistent and somewhat steadily increasing intra-WAEMU exports shares for a number of countries throughout the 1996-2008 periods. In 1996 Benin's share of intra- regional exports was 0.3 %, by the end of 2008 this figure went up to 1.7 %, the exception being for 1997 when exports shares hit the lowest level – 0.28 %.

The region's biggest WAEMU economy, Cote d'Ivoire has on the other hand seen its export shares rise and fall almost during the entire period. For instance in 1996 the Cote d'Ivoire export share was 22 % of the total trade and by 2008 only 26 %. It has risen by 4 %, whereas Cote d'Ivoire reached its highest exports figures: 34.9 % in 2004 and 33.7 % in 2006. Most of the remaining members of the WAEMU region have been oscillating between low figures, approximately 5 % and 10 % of the regional exports shares, with Senegal, and to a lesser extent Burkina Faso, being on the upper average of the wavelength. In 2003, Senegal reached almost 10 % of exports shares within the WAEMU. Between 2002 and 2003, Burkina Faso significantly improved its position which picked up from 0 % in 2002 and almost reached 10 % in 2003. The statistics however are generally biased towards several dominating countries of the region. The evidence of trade creation is between 2000 and 2001 among the WAEMU countries.

Figure 8. Non-WAEMU intra-export shares between 1996-2008:

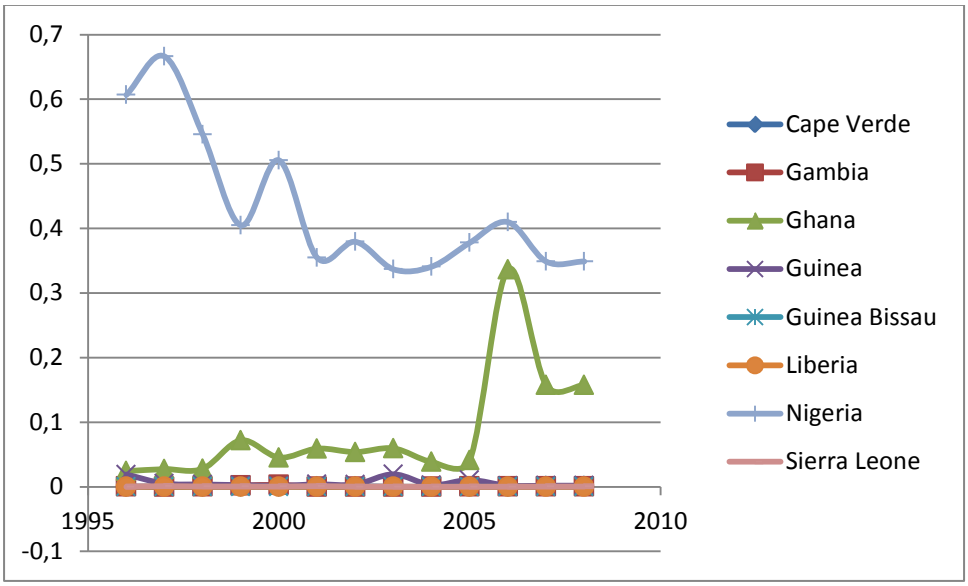


Figure 8 illustrates the case for non-WAEMU West African countries. The development is encouraging to a few countries with significant shares of intra – regional exports trade. These countries are Nigeria and, to a lesser extent, – Ghana. The exception is Nigeria that saw a deterioration of its export shares between 1996 and 2003. Nigeria exported 60.6 % in 1996 to the member countries, whereas in both 2007 and 2008 still comparatively high although half the previous volume, only 34,8 %. Ghana had an average of 2-7 % of non-WAEMU export shares between 1996 and 2005; the highest being 7.19 % in 1999. Ghana had managed to improve its intra regional export position significantly only in 2006, where it contained 33.65 % of intra-regional export shares. In the same year, Nigeria saw a slight increase in export share. Nigeria's deteriorating exports shares in 2003 and 2004, saw a marginal increase in 2006, they increased from 37.78 % to 40.99 %.

5.4 Summary of findings:

On the regional level both the WAEMU and non-WAEMU member states saw a consistent improvement of their export shares with the highest marginal propensity to export in 2002 and 2003. The statistics, however, generally biased towards several dominating countries of the region. The evidence of trade creation is between 2000 and 2001 among the WAEMU countries

and constant for non-WAEMU countries, with the exception of Nigeria. A declining export shares experienced by Nigeria between 2002-2006.

Between 2003 and 2006 the WAEMU experienced a trade-diversion. A minimal trade-creation was due between 2006 and -2008. The position of Cote d'Ivoire confuses the general trends. Its consistent improvement in the total export share from 1996-2001, has left the rest of the region lagging behind during 1999 and 2000. Secondly, concerning the non-WAEMU countries the outlook is the mirror of WAEMU. Between 2003 and 2006 there is a general tendency towards trade creation which is supported by the two dominating economies of the region, Nigeria and Ghana. However 2006 and-2008 there are more trade-divertive features.

If one looks at the total sum of the individual countries the extra-ECOWAS exports to the EU from 2003 onwards were disproportionately deteriorating. From intra-ECOWAS position on the contrary export shares were improving which is consistent with the general statistics. However as a sum of individual statistics the WAEMU intra-exports share is unevenly trade creative, while non-WAEMU countries unevenly trade divertive with the exception of Ghana.

6 Discussion:

There are motives, processes and obstacles associated with the ongoing EU-ECOWAS EPA negotiations. Some attempts to address underlying issues associated with EPA proceedings have been made in previous studies. These problems are contentious and difficult to resolve with trade agreements alone. One of the difficulties associated with signing an EPA is the proximity of regional economic agreements with multilateral regulations and contradictions associated with EU-ECOWAS EPA negotiations. The other concern is the compatibility of the reciprocal trade agreement with the needs and goals of LDCs. The next chapter will discuss some of these difficulties.

6.1 Further prospects for negotiations:

It is argued that "economic Partnership Agreement (EPA) precedent serves as a benchmark for ACP countries that do not belong to the LDC group."[102] To distinguish LDCs from non-LDCs is certainly not an easy task. Everything but arms (EBA) also influences the context of EPA negotiations with LDCs.[103] The EBA criteria has separate policies with regard to LDCs and non-LDCs states. Ambiguity for the support of intra-regional arrangements and the complex proceedings of GSP with regard to LDCs versus non-LDCs adds confusion about the ultimate commitments. Faber and Orbit argue that the inconsistencies reflect attempts to achieve a compromise between globalist and regionalist forces lobbying for different agendas inside the EU.[104] Because the EU does not offer duty free, tariff free access to all West African countries, the preferential advantage with respect to LDCs is also not withdrawn. However, a consequence of the EU's ambiguous trade policies might undermine the eventual efforts to achieve the ultimate goal – creation of a customs union. The dilemma is to achieve a compromise between the multilateral agreement and regional economic integration. An illustrative case is the access to duty free and quota free products to all members of the EPA that minimize the preferential advantage to the LDCs.[105]Moreover, the EU's trade preferences of GSP-plus arrangements encounter other obstacles. The EU Council Regulation is subject to the Enabling Clause of the WTO. It does not condition the EU: s GSP-plus arrangement to be legally binding. The EU is to unilaterally decide upon the inclusion of new members of the GSP. This policy level suggests that the EU' s ambition to pursue GSP and GSP – plus agendas is somewhat interlinked but ambiguous. The GSP-plus approach distinguishes itself from GSP in that it has far-stretching goals. It rewards countries with more duty and tariff reductions as a result of their willingness to ratify international conventions on human rights, good governance and sustainable development.[106] Should the country violate or be unwilling to comply with the rules, the EU effectively withdraws the preferences for these countries. In other words the GSP-plus scheme

[102] Faber, Orbie 2009:779
[103] Ibid.
[104] It has been argued that the EPA agreement and Cotonou are complementary but with opposing goals. The EPAs maintains unique un-reciprocal trade relationship with the ACP groups that offer new favorable partnerships. On the other the EU has its own free trade arrangements with each separate region of the ACP that is consistent with rules of WTO under Article XXIV.
[105] Faber, Orbie 2009:14
[106] Vandenberghe 2008: 570

might be viewed as a carrot employed by the EU to address violations. This, for example, could be the case when a beneficiary country ceases to incorporate and ratify conventions.[107] Assuming the relative fragility of LDCs with their logical need for duty- and tariff free access this is especially important. Following through with conventions should thus be in the interest of the countries applying for preferential access.

6.2 The EU's GSP- plus initiative:

A special arrangement of the newly negotiated Generalized System of Preferences are set to provide non-LDC developing countries by way of the *enabling clause*[108] with complete quota and tariff free access to the EU market. The European Commission adopted the objective on 22 July 2008 set to be operational between 2009 and 2010.[109] Sixteen new countries have qualified for additional preferences put forward by the new GSP scheme. The criterion for qualification is that countries should be classified as underdeveloped and industrially 'undiversified.' Furthermore, the GSP covers imports to the EU that must be as low as 1 % of total imports to the EU. Among the countries of ECOWAS the countries that are the GSP-plus beneficiaries are Sierra Leone, Senegal, Niger, Nigeria, Mali, Guinea, Guinea-Bissau, Mauritania, Gambia and Togo.[110] Sugar and rice are the two commodities that are subject to GSP-plus arrangement. The bottom line is that by lowering the tariff barriers on sugar and rice in which southern economies enjoy comparative advantage one might allow increased competition under the umbrella of the intra-bloc trade.[111]One drawback of this is discriminatory touch in the proceedings, un-favorable for LDCs. In accordance with Cotonou agreement there are duty free and quota free access for all products under GSP arrangements.[112] Bartels have also expressed some concern that GSP-plus might be considered inferior to the ongoing negotiations in EPA with the respect of the economies that are not specialized in export commodities other than from and rice.

[107] Vandenberghe 2008: 571
[108] Enabling Clause outlines that under Article I GATT and GSP 1971 developing countries are not suited for grant of preferences from WTO members in developing countries. The main idea of the enabling clause is the general non-discriminatory rule. See Bartels 2007:1
[109] European Commission trade
[110] List of countries considered "vulnerable" in the sense of Article 8 of the GSP Regulation 2009-2011 [internet source]
[111] Ibid.
[112] Bartels 2007: 2

7 Conclusions:

Economic regional integration in West Africa is a project with a long – term developmental objective. The theoretical framework of North-South regional arrangements serves to confirm the proposition that the EU is the leading economic trading partner for ECOWAS. This is confirmed by the fact that inter ECOWAS-EU exports flow constitute 15-55 per cent of the total regional exports. Whereas the south-south (intra-ECOWAS, intra-WAEMU) conducts between 1-7 per cent of the total West African trade. Although this is by no means a static process, the trends for intra-trade and extra-trade have been fluctuating in the past years. This study has underscored the relevance of the monetary union (WAEMU) that has come a long way towards following a well structured design to 'deepen' its monetary and financial integration. Certainly the relatively high intra-regional trade within ECOWAS in Africa shows that there are preconditions to follow through and eventually aim for the inclusion of the ECOWAS in the Monetary Union. In the past four decades an intra-regional trade pattern has grown to a large degree although at an uneven phase. Especially members of the monetary union of West Africa have benefited from the rise of intra-export flows between the 1970s and the 1990s in absolute and relative terms. Following the aftermath of official launch in EPA negotiations in 2002 there were very similar export patterns for WAEMU members and ECOWAS members alike. The ECOWAS more often than not experienced trade-diversion between 1996 and 1998, 2000 and 2001, 2002 and 2003 and 2006 and 2007. However in 2004-2006 there was evidence of trade creation though. Nigeria's dominating position is upgrading for this trend which is not at all surprising since the country's population combined half of the region's total. The interesting thing is that general statistics trade between 1996-2008 looks somewhat more encouraging for ECOWAS. In perspective, the combined effect of the ECOWAS intra-export shares is more pessimistic. The trend lines are skewed in the direction of Nigeria's high export profile which is the driving force for the regional economy. The country exports far more extensively to other members of the bloc than the total amount of individual countries. The WAEMU members have a somewhat smoother convergence as a result of an established customs union in 2000. For WAEMU members there is an evidence of a very moderate trade creation between 1996 and 2002 although very moderate. The trade creation for the WAEMU is characteristic between 2000 and 2003 and 2006 and 2007 periods;

stagnating in 2007-2008. The ECOWAS –EU export shares saw a smooth decline in the 2002-2008. Similar to Nigeria's case, Cote d'Ivoire has a high position in the Monetary Union is followed by Senegal. In perspective it does not tell the whole truth about the direction of the intra-regional exports, it is conclusive that the intra-regional export- shares that look better for the WAEMU countries than for ECOWAS countries on average.

Appendix:

Table 3. ECOWAS Total exports/Total extra trade, 1996-2008

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exports to EU	19845083	14991782,8	10862153	7687587	10244593	7943894	8767394,5	10201488	11763737	1,4E+07	1,8E+07	14210351	14920869
Total extra tr.	42391618	40557229,9	28051503	22412453	33196286	2,4E+07	24544334	31996037	46858665	5,8E+07	6,7E+07	61319081	64385035
Total extra ex.	42391618	40557229,9	28051503	22412453	33196286	2,4E+07	24554334	3,12E+08	46858665	5,8E+07	6,7E+07	61319081	64385035
ratio	**0,468137**	**0,36964514**	**0,387222**	**0,343005**	**0,308607**	**0,33055**	**0,357061**	**0,032697**	**0,251047**	**0,24254**	**0,27375**	**0,231744**	**0,231744**

Table 4. Intra-ECWAS export shares between, 1996-2008

Intra-ECOWAS	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Benin	0,003623	0,002832	0,003375	0,009564	0,00546	0,012018	0,016376	0,019728	0,018686	0,016904	0,010802	0,017593	0,017593
Burkina Faso	0,009962	0,008406	0,013712	0,027263	0,011543	0,017328	0,012819	0,085136	0,077421	0,048709	0,041922	0,072868	0,072868
Cote d'Ivoire	0,222063	0,217556	0,310554	0,348275	0,320545	0,389167	0,393389	0,291828	0,349806	0,337728	0,210887	0,260053	0,260053
Mali	0,058281	0,022694	0,024212	0,04051	0,024363	0,039969	0,023698	0,027335	0,024277	0,061771	0,011026	0,029481	0,029481
Niger	0,018805	0,014691	0,020899	0,028063	0,034079	0,032781	0,023967	0,025301	0,022474	0,01607	0,008042	0,015294	0,015294
Senegal	0,031517	0,028516	0,040521	0,050376	0,035787	0,053785	0,06221	0,084854	0,07911	0,0629	0,040893	0,066781	0,066781
Togo	0,005156	0,004843	0,00843	0,013861	0,012493	0,0354	0,029478	0,049854	0,045776	0,025487	0,016557	0,027615	0,027615
Cape Verde	0,000147	0,000415	0,000113	2,13E-05	3,86E-05	0,000661	0,000777	3,29E-05	3,83E-05	2,97E-05	0,000299	0,001203	0,001203
Gambia	0,000363	0,00029	0,000501	0,002048	0,002947	0,000217	0,000214	0,00013	7,02E-05	0,000522	0,000407	0,000495	0,000495
Ghana	0,024317	0,02738	0,0279	0,07198	0,045328	0,059134	0,053774	0,059522	0,038642	0,040999	0,33655	0,157551	0,157551
Guinea	0,019102	0,005062	0,003622	0,002717	0,001587	0,00382	0,003601	0,01938	0,002775	0,010602	0,001657	0,001802	0,001802
Guinea Bissau	0	0	0	0	0	2,28E-05	0,000108	1,76E-05	9,94E-05	0,000176	2,77E-05	1,22E-05	1,22E-05
Liberia	0	0	0	0	0	0	0	0	0	0	0	0	0
Nigeria	0,606663	0,666265	0,545693	0,404779	0,505461	0,354625	0,379318	0,336711	0,340823	0,377844	0,4098	0,348835	0,348835
Sierra Leone	0	0,00105	0,000469	0,000544	0,000368	0,001073	0,00027	0,000172	1,36E-06	0,000259	0,000192	0,000416	0,000416

Table 5. ECOWAS-EU export shares, 1996-2008

ECOWAS-EU	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Burkina Faso	0,25799	0,34266	0,38038	0,33071	0,41434	0,37088	0,55151	0,06561	0,10438	0,14916	0,09745	0,03328	0,03328
Benin	0,24152	0,22360	0,21022	0,15525	0,17542	0,18358	0,14817	0,10652	0,08982	0,11349	0,20451	0,21822	0,21822
Cote d'Ivoire	0,57668	0,55304	0,52828	0,47473	0,46782	0,47914	0,51512	0,56315	0,51677	0,41861	0,47571	0,43378	0,43378

Cap-Vert	0,90904	0,78415	0,82332	0,81482	0,79774	0,59707	0,36068	0,80538	0,82567	0,70910	0,64563	0,65363	0,65363
Ghana	0,58581	0,54406	0,549192	0,55152	0,4899	0,474	0,46002	0,45968	0,47472	0,46624	0,19983	0,30287	0,30287
Gambie	0,66854	0,52704	0,86066	0,441	0,3128	0,89321	0,77870	0,73285	0,80955	0,36175	0,59847	0,60637	0,60637
Guinee	0,41107	0,61869	0,57427	0,77471	0,62546	0,61003	0,56849	0,53918	0,18482	0,10589	0,15797	0,38051	0,38051
Guinée-Bissau	0	0	0	0	0	0,06494	0,05580	0,06744	0,01246	0,00752	0,01208	0,03422	0,03423
Mali	0,18465	0,16243	0,17065	0,14249	0,13627	0,13025	0,23023	0,14432	0,0288	0,02883	0,15777	0,02583	0,02571
Niger	0,45730	0,52389	0,51007	0,42449	0,33786	0,37444	0,39527	0,41911	0,53533	0,49560	0,54318	0,55815	0,55815
Sierra Leone	0	0,48469	0,56142	0,32706	0,25414	0,1082	0,02294	0,42961	0,56931	0,82592	0,14711	0,16674	0,16674
Senegal	0,43664	0,42172	0,43299	0,45577	0,50013	0,44346	0,37372	0,33036	0,29080	0,30892	0,25120	0,28322	0,02833
Togo	0,17077	0,25127	0,13468	0,23368	0,22366	0,17348	0,1319	0,21032	0,14756	0,14080	0,10798	0,04957	0,04957

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