



## POLITICAL ECONOMY DYNAMICS OF REGIONAL ORGANISATIONS IN AFRICA

**PEDRO**

### ***ECOWAS trade and trade facilitation: Advancing economic integration one hurdle at a time<sup>1</sup>***

This paper sets out to better inform stakeholders about why the Economic Community of West African States (ECOWAS) and national level stakeholders operate as they do on trade and trade facilitation. It concludes with implications for support.<sup>2</sup>

#### **Political traction, member states interests and potential**

Trade and economic integration are at the heart of the Economic Community of West African States (ECOWAS). The main tool of the ECOWAS Free Trade Area (FTA) is the Economic Trade Liberalisation Scheme (ETLS), targeted at internal trade. This internal market liberalisation scheme dates back to 1983 but is not being fully implemented. Secondly, ECOWAS adopted a common external tariff (CET) in 2013. Though including an additional higher tariff band, the ECOWAS CET was largely based on the common external tariff of the West African Economic and Monetary Union (UEMOA), which was set up as early as 2000.

The design of ECOWAS trade policies reflects the power balance within the region. Firstly, regional integration in ECOWAS cannot progress without Nigeria onboard. The country's economic power (relative to its neighbours) provides it with an informal but widely acknowledged 'veto' vote. As such, Nigeria has been both a key driver and blocker in the regional integration agenda - initially seeking a market for its processed goods, the country has turned to a more protective attitude in recent years.

ECOWAS policies are also influenced by the more liberal subgroup of UEMOA states, who tend to speak with one voice in ECOWAS negotiations. Building on the historical grouping of French-speaking states, UEMOA promotes a more advanced economic integration agenda, with a common currency, a surveillance mechanism for macroeconomic convergence and more established trade integration. The relationship between ECOWAS and UEMOA is marked by rivalry and competition, somewhat fed by incoherent donor practices. While the European Union supports both UEMOA and ECOWAS, others focus mainly on ECOWAS (e.g. Germany) or UEMOA (e.g. France).

The ECOWAS CET is therefore a product of the power relations between the anglophone hegemon Nigeria and the

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<sup>1</sup> Based on a March 2017 background paper by ECDPM, available at [www.ecdpm.org/pedro/backgroundpapers](http://www.ecdpm.org/pedro/backgroundpapers). The Policy Brief and background paper were prepared under the BMZ-financed project on the *Political Economy Dynamics of Regional Organisations (PEDRO)*. Authors: Karim Karaki ([kka@ecdpm.org](mailto:kka@ecdpm.org)) and Elke Verhaeghe. Project team leader: Bruce Byiers ([bby@ecdpm.org](mailto:bby@ecdpm.org))

<sup>2</sup> Four other ECOWAS related PEDRO papers deal with conflict and food security, with governance, with energy and with industrialisation and youth employment.

UEMOA subgroup of member states. Despite Nigerian opposition, UEMOA's tariff bands served as a baseline for the ECOWAS CET, allowing UEMOA states to 'upload' their relatively liberal standards to ECOWAS. Nonetheless, after several years of negotiations, Nigeria managed to integrate a fifth tariff band at 35% to protect some of its industries as part of its industrialisation strategy which ultimately fit with the interests of some of UEMOA states.

Implementation of the ECOWAS trade agenda is linked to the level of inclusion and participation in negotiations. Like other regional economic communities (RECs), ECOWAS has limited authority over member governments and lacks active dispute and sanction mechanisms on economic integration issues (unlike governance and security issues). The organisation hence needs to rely on persuasion and continual dialogue with member states to garner ownership and effective implementation.

Further, the needs and interests of private sector actors are often poorly articulated and presented at regional levels, and therefore difficult to address. Consequently, private sector forces tend to ignore regional policies or seek to block implementation. Examples include resistance to the ETLs and CET schemes in Nigeria, where operators seek waivers and other protective measures against cheap extra-regional imports.

Different levels of success of the ETLs and CET reflect different degrees of inclusiveness and involvement. The ETLs was not based on extensive discussions and dialogues, often overlooking both the interests of member states and the interests of private sector actors. After more than 30 years, the implementation of ETLs remains limited with most small and medium-sized enterprises and the informal sector (a major share of intra-regional trade) not even aware of such a scheme. The CET, on the contrary, resulted from a more inclusive process, with over eight years of extensive consultations with the private sector, civil society and public sector, especially customs officers. In five years the CET has been better implemented than the ETLs, with 10 out of 15 ECOWAS countries reportedly implementing it.

The ECOWAS Commission has also launched a series of trade facilitation measures, particularly in the road transport sector. The Axle Road Harmonisation policy (2012) and the Joint Border Posts programme (2003) particularly stand out. Yet, both initiatives face challenges. Initially, Ghana was the only country to implement the Axle Road Harmonisation policy, with only a handful of Joint Border Posts completed and with many unresolved issues within those border posts that are operational.

Trade facilitation measures also depend on the backing by both member states and private sector actors. Incentives to comply with regional axle load regulations are limited, while corruption related to officials 'looking the other way' is hard to address. Additionally, the policy requires coordinated implementation across countries to avoid losses to first movers such as Ghana - as it initially was the only country to implement this policy, Ghana arguably put its truckers at a disadvantage by having to comply to more stringent axle load regulation *vis-a-vis* its neighbours in Côte d'Ivoire and Togo serving the same hinterland. This led to protests and increased prices by Ghanaian truckers to maintain profit margins.

External actors also influence the ECOWAS trade agenda. The Economic Partnership Agreement (EPA) process with the European Union (EU) was instrumental in renewing regional dynamics, including convergence between UEMOA and ECOWAS. Adoption of the ECOWAS CET paved the way to adoption of the ECOWAS liberalisation schedule in the EPA and successful conclusion of negotiations with the EU. But this was not sufficient to overcome different interests and incentives among West African states. Côte d'Ivoire and Ghana needed to sign an EPA to maintain their duty-free-quota-free access to the EU market while Nigeria, on the other hand, has so far preferred not to do so, fearing competition from EU imports that it argues could undermine its industrialisation process. As a result, the EPA process now threatens to undermine and disrupt economic integration in West Africa.

## Implications for support

### 1. Support to ECOWAS trade and trade facilitation must explicitly take account of power relations between Nigeria, Ghana, Côte d'Ivoire and Senegal (and the wider UEMOA group)

- While little takes place without the consent of Nigeria, the same goes for the other key states and coalitions in the implementation of the ECOWAS CET and the EPA negotiations.

- Though merging ECOWAS and UEMOA is a stated long-term goal, this seems unlikely to happen in the short to medium term, suggesting support should engage both bodies and seek complementarities to avoid overlap.

**2. Programmes for trade and trade facilitation must explicitly recognise and adapt to widespread informal practices for much of the trade and trade facilitation agendas.**

- The ETLS, One Stop Border initiative and axle load regulation all attempt to alter deeply ingrained informal practices such as informal cross-border trade or bribe-taking by officials.
- Altering these underlying incentives is extremely challenging - suggesting a need for adaptive approaches to align with informal practices and with a longer-term view to change.
- UEMOA and ECOWAS are important for developing regional frameworks. To be effective, these frameworks must be rooted in the domestic agenda and political interests of the member countries.

**3. There is a need to engage with national and regional private sector and civil society actors in order to understand which groups stand to gain or lose from different trade and trade facilitation measures and identify potential offsetting measures**

- Policy implementation will only take place where the policies somehow adapt to or alter the interests of key actors and the incentives they face This implies a need to promote and support policy reforms that take account of actual needs and interests.
- Understanding the market structure of key sectors, the nature of trade and the characteristics of operators is a prerequisite for effective elaboration and implementation of trade facilitation programmes.
- The private sector is made up of groups that can either block or push governments to comply with regional commitments. Civil society actors such as Borderless Alliance can be an important force to help push the trade and trade facilitation agendas through advocacy, data and information dissemination and multi-stakeholder dialogues discussions.
- Bilateral programmes should also be used to support and engage with the national public, as well as private sector and civil society actors around regional issues and reforms, to create coalitions and hold governments to account on the implementation of regional agreements.
- The informal sector and informal actors must be explicitly taken account in trade and trade facilitation programmes, including informal cross-border trade as this is a key factor that shapes trade practices.

Behind the formal structures of regional organisations is a messy world of regional power and politics. This messiness is often difficult to capture in the language of development cooperation and institutional development. Working with regional organisations and their programmes therefore implies engaging with complex, multi-level power and interest dynamics.

PEDRO, the Political Economy Dynamics of Regional Organisations, is an ECDPM project that looks at the politics behind regional organisations, and the structural factors, institutions and incentives that ultimately define the way in which countries and different stakeholders engage at a regional level. PEDRO covers 17 African regional organisations and 11 policy areas. For each of these, ECDPM has applied a political economy approach to help understand the dynamics and their effects in different regions and policy areas.

The studies are framed around three key questions: the first relates to the political traction of the regional organisation as this helps assess whether the regional organisation has enabled regional decision making and if it has contributed to implementation. The second focuses on the member state interests in engaging with the regional organisation, especially the more resourceful and powerful ones (the so-called 'swing states'). The third looks at the areas with most traction where regional and national level interests seem to be most aligned for regional outcomes.

The reports aim to present information and insights that can help regional stakeholders navigate the obstacles and better respond to reform opportunities. Rather than providing specific operational recommendations, the political economy approach encourages more reality-based discussions among practitioners and reformers about feasible ways to address regional challenges. It is hoped that this may help tailor the ambitions and approaches of donors and reformers and help identify ways to support national or regional champions or coalitions to take regional cooperation and integration forward.