ATLANTIS PRESS

Advances in Social Science, Education and Humanities Research, volume 390

International Conference on Research and Academic Community Services (ICRACOS 2019)

Ecowas Common Trade Policy: Challenges And Opportunities – Gambia And Nigeria

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***Abstract*— The present study discussed the ECOWAS common trade in member countries indicates greater optimism in adoption of single currency. ECOWAS Common Trade Policy is an essential tool for the member countries to eliminate all forms of trade barriers to foster growth and development. This paper took the form of review of the Common Trade Policy in the perspective of trade liberalization, governance and tariff and non-tariff measure in eliminating trade barrier in the region.**

Intra-states trade is the answer to growth and sustainable development. Single currency proposal and adoption should not be lip service but pragmatic because this will enhance consolidation and strengthening economies of the nation sates in term of business. Flexibility in tariff and non-tariff measure should be encouraged and custom barriers be removed. In conclusion, all efforts must be directed to realization of single currency in ECOWAS region by 2020 to ease business and trade.

Keywords*— *Trade, tariff, economies, ECOWAS, Market, non-tariff measures, member states

I. INTRODUCTION

Trade is an essential component of any economic integration and creating viable markets serves as a catalyst to improved trade and market liberalisation. Trade will be discussed in this paper in the view of classical theorist like Adam Smith; in whose view that market is regarded as a development problem. To assess the co-relation between market and development is vital to this discourse since there is a symbiotic relation between market, trade and development. One thing could result to another but market is broader while trade is an activity in the market which could happen within a confine areas or place and space.

ECOWAS was created on 28 May 1975 by the Heads of State and Government of 14 West African countries in Lagos, Nigeria: Benin, Burkina Faso, Ivory Coast, Gambia, Ghana, Guinea, Liberia, Mali, Mauritania, Nigeria, Senegal, Sierra Leone and Togo. Its main goal was to liberalize trade between Member States; to remove obstacles (tariffs and non-tariffs) to trade; to strengthen the free trade system (FTA), customs union and the common market; and lastly to attain a shared economic and monetary union for the region "[1] and [2].

ECOWAS as a regional bloc envisage to connect the economies of the member states and so far, the Francophone countries in West African has adopted a single currency which has ease business among the members of the said organisation called Union Economies et Monetaire Ouest-Africaine (UEMOA). However, these Francophone countries also want limit the influence of their former colony's' by adopting another currency which is purely African. This is where ECOWAS came in to lead this process of adopting new currency called ECO which is expected to be launched in 2020. "The two organizations are seeking to follow the model of European integration, realizing a Common Market and Economic and Monetary Union. This will be achieved in particular through the free movement of persons, services, goods and capital; the adoption of a common external tariff and a common trade policy; the harmonization of legislation in the areas necessary for the good and proper functioning of the common market; and the adoption of common economic, financial and social policies and the creation of a currency [3]. By this, people have mix feeling about model transfer which sometimes or in most cases did not work as it has previously works elsewhere. However, many African scholars in the likes of Ali Mazrui and PLO Lumumba, argued that integration of African economies should be from lips to practicalities and they are share their optimistic toward the adoption of single currency in ECOWAS. "ECOWAS ' general objective is the creation in West Africa of an Economic and Monetary Union. The Community aspires to realize a Common Market in attempt to attain this objective. This is not the only objective implied by economic union, but it is the most significant. Another goal is the implementation in a variety of industries of popular strategies. The common market, echoing the TFEU, can be recognized as an region without inner borders where products, individuals, facilities and resources can circulate unimpeded [3]. Creating a common market is the main goal of these organisation and many believe that this will help in advancing the economies of the West African states. Trade will be improved when single currency is being adopted because if there this already a common market but the challenge is currency difference and banking systems. For example, only Eco bank has an integrated system that allow theirs to access their account in all West African countries but the charges is very high. With single currency the bank charges may be very minimal.

The argument about the trade liberalisation and growth always show up in discussing common trade policy and different sentiment emerged. According to scholars [4] over the era 1970–2009, the short-term and long-term trends between per annum GDP development and openness for 158 nations were examined using board co-integration experiments and error correction designs in conjunction with GMM estimates to investigate the temporal connection. Their findings indicate a long-term connection of important beneficial causality from openness to development and vice versa between openness and economic growth, with a short-term modification for both

sides of dependence to the departure from the equilibrium [5]. But [6] has contrary opinion that growth and trade liberlisation has not direct co-relation because it does not have a simple and straightforward relationship with growth. One of the scholar [7] demonstrate that the impact of trade openness on economic growth may be dependent on supplementary policies to assist a nation benefit from global rivalry. They provided cross-country, panel data on how the development impact of openness can rely on a multitude of organizational features using non-linear development regression requirements that interact with instructional equity proxies, economic scope, inflation stabilization, public infrastructure, regulation, labor business efficiency, easy access, and ease of firm exit. They found by stating that if certain supplementary policies are conducted, the development impacts of openness can be considerably enhanced [5]. This is the view point of ECOWAS to create common market that encourage entrepreneurship and flexibility among the member states. The bone of contention here is to improve the economic viability of all nations in Western Africa.

II. BACKGROUND

ECOWAS region was governed by different empires during the pre-colonial era before colonialist demarcated the boundary and there are different ethic groupings that overlap within countries such as Mandingo, Fulani, Yoroba, and others. Empires like Mali, Ghana, Songhai, Dahomy, others were very strong empires and they lasted for centuries before colonialism took place. Colonialism reduces these empires to subjects and installed them at the helm of affairs. Over 300 people live in vast land area of 5.1 million square kilometres. The official languages of ECOWAS are English, French, and Portuguese. Nine countries have French language as their official language alongside other local languages while five countries colonized by Britain also has English as the official Language. The region's cultural, linguistic and ecological diversity presents both opportunities and challenges for the integration process. The longing to combine forces politically and economically has always been recognized as a step forward in the desire to engender co-prosperity in the area.

The idea of Western African states union emerged in 1972, however, and this year the Nigerian head of state Gen Yakubu Gowon and his Togolese counterpart Gnassingbe Eyadema toured the region in support of the Idea for Integration. The proposals emanating from their activities created the foundation for the creation of the Lagos Treaty in 1975, which brought ECOWAS into being. The treaty of Lagos was originally touted as an economic initiative but emerging political events led to its revision and therewith the expansion of scope and powers in 1993.

ECOWAS is intended to promote financial and political collaboration between states. History has it that West Africans were among the most portable communities in the world during pre-colonial periods and lately, although much of the migration was intra-regional. Approximately 7.5 million West African refugees (3% of the global inhabitants) live in other than their own ECOWAS nations. The other 1.2 million refugees are primarily spread in North America and Europe. It has been reported that in 2013, about 149 million females make up more than 50 half of the population of the region. As traders and company employees, the cross-border migration of females positions them as prospective winners for encouraging inclusion.

Fig 1 Source: ECOAWS Web

This map above is an expert from African map showing West African countries and their location. The nine French speaking West African countries has a common currency called CFA since 1965 which has helped these countries to easily do business and trade among themselves? On several occasions ECOWAS was tried to introduce a common currency among the member countries but to no avail but this year, leaders of West African states has adopted a single currency called Eco which is to be launched next year 2020. As part of its plan to make Africa more integrated continent adopted a single currency to facilitate trade between member countries without any hindrance in trade or business. This paper motivated by the fact that regional economic integration through trade can boost inclusive growth and development.

Have mentioned a brief history of ECOWAS, this paper will review ECOWAS's Common Trade Policy which is geared towards promoting intra-states trade and economic empowerment of the member countries. As the name suggest, this regional organization focuses on economic and political integration of West African countries as its initial impetus but it was late expanded in scope and power in term of security and cultural cooperation. The Common Trade Policy is to remove all the tariff and non- tariff measures or barriers to trade and it advocate for freer trade and free movement of factors of production.

It was established from this finding that the policy encounter lots of challenges since most of the countries tend to exercise their state sovereignty. The other challenges are related to barriers of tariff and non-tariff measures in ECOWAS Trade Liberation Scheme which is meant to dismantle all these barriers and give more economic advantage to the member states. The superiority and inferiority complex became another hindrance at the borders wherein French speaking people treated each other like brothers while English speaking people are considered outsiders.

III. CONCEPTUAL FRAMEWORK

The concept of trade liberalisation brought about heated debate in development sphere when compare with development. "The empirics of the impact of trade liberalization on poverty have largely provided a mix picture of the trade-poverty nexus. Recent studies have shown that the relation- ship between trade liberalization and poverty is largely case and country specific" [5]. Talking about development is to improve the living standards of the people from worse to better and better to best. Our viewpoint is the trade liberalisation has the capacity to reduce poverty and attainment development because pleasant farmers produce their crops and in most case in Africa there is no market to sell these goods. But

with trade liberalisation in the region will enhance productivity, distribution, and manufacturing of goods and service. Author [8] develops a framework for exploring the links between trade and poverty where trade liberalization reaches households via four channels: Enterprise, distribution, economic growth, government revenue" [5]. It is evident that trade liberalisation can encourage enterprise development and people can also become innovative in the production of goods and services.

In addition, regional integration could be promulgated through governance and trade liberalisation is an amplifier for sustainable growth and development. "Achieving global inclusion without good governance in each ECOWAS member state may not yield the required financial conversion outcome. As stated in its Worldwide Governance Indicators (WGI), the World Bank considers excellent development from six (6) wide management aspects: speech and responsibility, political stabilization and lack of abuse, efficiency of government, legislative performance, and standard of legislation and avoidance of bribery [9]. In a simple analogy, in regional integration there should not be any form of trade restriction and members should be able to move freely and exchange on fairly basis. "Trade integration among the member countries of a trade bloc implies the absence of trade restrictions, and in conjunction with good governance, is bound to ensure structurally transformed economies towards industrialization" [9]. This is the target of ECOWAS to remove all forms of trade barriers and promote economic integration for the betterment of all. It is the objective of the organisation to promote trade since it gives room for economic activities to occur which is beneficial to the people. Governance helps to ensure effectiveness and efficiency in the policy and proper management of the system.

Another concept employed in this paper tariff and non-tariff measure which are custom related. The policy program plan engagement matrix of all ECOWAS institutions, the nexus is built on two fundamental elements, namely I promoting democracy, safety and excellent management, and (ii) improving people's living standards. In order to achieve the two main objectives, the ECOWAS Commission is mostly implementing the following: consolidating peace and security while strengthening the democratic process, implementing the Common External Tariff (CET), enhancing the free movement of persons and goods, undoing agricultural investment programs and common policies, particularly in the industrial and infrastructural development sectors framework to lay the foundation for the creation of a credible and sustainable monetary union.

Moreover, the theory of optimum currency areas explains the conditions under which a country can join a currency group with positive benefits and suggests which countries will be grouped in small number of currency areas. The countries are willing to create a single currency with single monetary system and perhaps a common market to facilitate trade and smooth flow of goods and services. According to Mundell (1961) who pioneered the concept of optimum currency area eluded that a currency area for which the cost of relinquishing the exchange rate as an internal instrument of adjustment are outweighed by the benefits of adopting a single currency or a fixed exchange rate regime. It is categorically clear that currency unification brought about several benefits to the member countries but many tend to focus more on the negative aspects of the currency union. The opportunity cost of choosing to leave your currency to join a currency union is very clear but the consequences could not be more severe than the benefits. "Mundell (1961) and McKinnon (1963) stated that the effectiveness of the exchange rate might decrease with openness, because prices and wages are more likely to rapidly neutralize the change in the exchange rate" (Ricci, 2008). By extension, openness and creation of common market is very essential part of the whole arrangement which is beneficial to all the countries to stabilise their economy and increase their economic activities through trade. "Deriving the theory of optimum currency areas from a general equilibrium model of trade allow various criteria that have been suggested for assessing currency union be integrated and compared" (Bayoumi, 1994). This criterion helps to compared and contrast with the existing system and perhaps forecast the trade viability and economic advancement of the member countries. In summary, Mundell (1961) emphasis on factor mobility, McKinon (1963), openness to external trade while Kenen (1969) lamented on product diversification. These are criterion for currency union and it essential to note that different countries benefit from currency union at different capacities through product diversification in which countries with more diverse products tend to benefit more that the small ones.

IV. DISCUSSION

Nigeria and Gambia have the same colonial history and the two countries have several bilateral relations ranging from military technical aid, trade, employment, education, among others. For the benefit of this paper the trade between the Gambia and Nigeria will be discussed in the ECOWAS framework of common trade policy and economic integration. The crude oil business between Gambia and Nigeria began in 1995 when the president at that time had agreed with government of the Gambia to sell Nigerian crude Oil in the Gambia and the process to be shared equally. The crude oil was shipped to the Gambia on several occasions and the Gambia used to export fish and other food items to Nigeria to attract foreign currency. Recently, the Gambia import Dangote Cement from Nigeria and other building materials as well as educational materials like African Novels and school text books. This intra-trade has created lots of opportunities for many people in both countries.

"Existing trade constraints arising from ECOWAS technical policies can be decreased by more than 25% only by aligning current policies with each ECOWAS affiliate. This could boost intra-ECOWAS trade by 15% and boost annual revenue in ECOWAS nations by US$ 300 million"[2]. The intra-states trade has benefited Nigeria more than any country in the region. "Over the years, Nigeria's proportion of complete intra-ECOWAS exports has declined. In 1996, Nigeria supplied 60.67% of intra-regional exports. His stake fell to 60.63 percent in 1997. Its percentage was 50.55% and 28.85% combined in 2000 and 2005. It risen again in 2006 to 53.40% before declining in 2008 to 34.88%. Over the same era, the country's proportion of complete intra-ECOWAS imports fluctuated. It declined from 8.30% in 1996 to 3.31% in 2000, before increasing to 12.84% in 2005. It fell again in 2008 to 12.81 percent [10].

These statistics shows how significant the intra-states trade is benefiting Nigeria dispute some insignificant decrease in the percentage as compare to the Gambia which is always struggling to maintain her 25 %. The report has indicated that if all restrictions are dismantled, it will boost the economy of the member states. "Nigeria emerges as the leader in intra-regional export between 1978 and 1984, with its share standing at 40 per cent in 1978, 48.7 per cent in 1980 36.2 per cent in 1982, and 40.3 per cent in 1984" (Okolo, 1988). The same situation continues up to date. Nigeria is the biggest supplier of motor spare parts, cement, and food stuff to the entire West Africa.

The Gambian economy continued its recovery in the first half of 2016 supported by the rebound in agriculture and tourism. Real GDP growth is forecast to pick up to around 5.0 percent in 2016 from the 4.7 percent recorded in 2015. The country continued the implementation of its medium-term development plan - the Programme for Accelerated Growth and Employment (PAGE) - which elapses at end-2016 while a successor plan for 2018-2021; the National Development Plan (NDP) is being finalized. In this plan, intra-regional trade is very key to revitalise the economy of the Gambia by increasing her export of domestic products through diversification.

Budget implementation in the first half of 2016 was quite challenging with tax receipts below expectations coupled with spending pressures amidst the looming elections in December 2016. As a result, government borrowing from the domestic money market picked up, putting upward pressure on interest rates. The government continued its support to major State Owned Enterprises (SOEs), particularly to the National Water and Electricity Company (NAWEC), The Gambia Telecommunications Company Limited (GAMTEL) and The Gambia National Petroleum Corporation (GNPC). The benefits of the Gambia from this trade is very minimal as compare to Nigeria. The economy of the Gambia is more of consumer than producer because the Gambia continue to import more its expert.

Nigeria is the biggest exporter in West Africa and lots of food item in the Gambia comes from Nigeria as well as spare parts of all kinds of motor vehicles. In essence, Nigeria is a very important country in the development of West Africa and Gambia in particular. Almost, half of lecturers in the University of the Gambia are Nigerians. The significant contribution of both Nigeria and the Gambia towards the adoption of single currency in ECOWAS cannot be over emphasis. The Gambia is ever ready for the adoption of the single currency in ECOWAS member countries since 2003 when most of the countries were unable to meet their requirements but the Gambia did.

V. CONCLUSION

There are several opportunities for all countries to attain growth and development if they fulfil their commitment to remove those trade restrictions and be more flexible with the state sovereignty. This common trade policy of ECOWAS has the ability to create jobs, provide exchange of good and services, means of production and distribution to benefit the masses.

Currency union foster consolidation and strengthening of economic structure of the member countries under ECOWAS. It also promotes integration of all sectors of the economies of the member countries and establish common market for better business growth. Through these consumers will have an alternative choice and value for money.

Single currency proposal and adoption should not be lip service but pragmatic because this will enhance unity and prosperity among the nation sates in term of business. Flexibility in tariff and non-tariff measure be encourage and custom barriers be removed. In conclusion, all efforts must be directed to realization of single currency in ECOWAS region by 2020 to ease business and trade.

ACKNOWLEDGMENT

We want to acknowledge the International Conference on Research and Academic Community Services-2019 for providing us opportunity to present this piece of knowledge.

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