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**CROSS BORDER TRADE IN ECOWAS - OPPORTUNITIES AND
CHALLENGES**

BEING PRESENTED ON

**THE MARITIME SUPPLY CHAIN OF AFRICA – OBSERVING
OPPORTUNITIES AND POTENTIAL GROWTH IN REGIONAL
SHIPPING BUSINESS, SUPPLY CHAIN AND LOGISTICS NETWORK**

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INTRODUCTION

- The Economic Community of West African States (ECOWAS) was established at the point in time when civil society in general and the business community in particular were striving to understand and rise to the challenges of globalization, posed by World Trade Organization (WTO) agreements, European Union (EU) and African Caribbean and Pacific (ACP) Regional Economic Agreements, the African Union and New Partnership on Africa's Development (NEPAD). There was a growing enthusiasm for economic integration, which led to the ultimate goal of regional economic unions. Many countries that were close neighbours or had common problems of economic development strived to maintain some degree of economic cooperation. Thus, ECOWAS came into being as a result of the manifestation of the desires for cooperation among the peoples of West Africa.



The increased productivity in manufacturing will act as a catalyst that will accelerate the pace of structural transformation and diversification of the economy, in addition to facilitating the countries in fully utilizing their factor endowment. Since manufacturing in comparison to other sectors of the economy have greater spillover effects to other sectors, it offers a ready market for agricultural produce as well as providing intermediate goods for further production and supporting the services sector.



OPPORTUNITIES

There is no gain over emphasizing the fact that the maritime industries (playing host to other critical sub industries) is the major revenue earning sector of the economy and the fulcrum drive to socio economic development of all nations

PROSPECTS IN THE ECOWAS TRADE

This paper outlines the following pathways through which opportunities can be derived through cross-border trade in ECOWAS:

- Wages and Employment.
- Manufacturing
- Economic growth and technology.



WAGES AND EMPLOYMENT

West Africa clearly is a labour abundant economy, therefore cross-border trade in ECOWAS especially implies easing/removing barriers to trade within the sub-region, such free trade will gravitate towards higher wages in general. As more of the countries goods are being sort after, this will induce prices to go up as a result of the increased demand. This rise in prices will make it possible for wages to be increased.

It is noteworthy also, that not only will the cross-border trade increase wages, but greater number of people will be employed to the more productive sectors of the economy. This can be viewed from two perspectives.

Firstly, there is most likely to be a greater inflow of technology which could be skill biased because of the increased demand. This will increase the demand for skilled labour and thus reduce the army of the teaming unemployed graduates.



Secondly, the labour market in the region can be said to have a perfectly elastic supply. That is to say, even with fewer wages, people are willing to work. As such, the wage will be fixed exogenously by what labour can earn elsewhere and the adjustment will take place in terms of employment.

This suggest that a country or an economy, rather than isolating itself from the world economy, it should avail itself by way of opening its economy to trade as much gains can be derived through improved wages and employment. This will surely go a long way in improving living standard of the citizenry.



○ MANUFACTURING

When the necessary conditions including: improved infrastructure and security, which will spur competitiveness of firms and attract major investments to the countries have been put in place for firms to respond to new threats and opportunities, freer trade will clearly foster socio-economic benefits for ECOWAS by enhancing growth and productivity and improving resource allocation. As the countries opens up to trade within the West African sub-region, they will be able to export products that are lacking in other countries, thereby increasing productivity of the manufacturing industry



ECONOMIC GROWTH AND TECHNOLOGY

- Economic growth is the key to increased welfare in an economy. Except growth seriously worsens income distribution, welfare of the people in an economy will be better as average incomes increase. The contrary view has no standing because there is no specific information on a strong case that a particular openness of an economy seriously worsened income distribution. As the market for goods widens as a result of cross-border trade in ECOWAS, it is most likely that the technological base will be improved upon through learning from the technology available in developed countries to meet up with the increased demand. This learning will take place through technology transfers either through efforts to imitate technologies or through importing capital goods. It is important to note that both of these activities are assumed to require only skilled labour.

- Thus, cross-border trade avails ECOWAS the opportunity of accessing new technologies to improve upon her productivity and on the other hand, having wider market to export their produce thereby bringing about technological progress and economic growth. An open trade regime is probably essential to the long-run achievement of trade stances and thus should be seen as a major contributory factor in economic development. The link between openness and growth operates at least partly by enhancing technical progress. The evidence that access to imports enhances performance is quite strong. Of course technological flows need not depend just on trade or technology policies, they may arise autonomously or through direct interventions in research and development in favour of the countries.



CHALLENGES

The Private Sector Directorate of ECOWAS had observed that several years after the formation of the community, trade within the ECOWAS sub-region was still consistently low at about 12 per cent due to the following:

- **ABSENCE OF COMMON PAYMENT MECHANISM**

The absence of an efficient and effective payment mechanism particularly between Anglophone and Francophone countries is an impediment to cross-border and intra-ECOWAS trade.

The adoption of a common currency, which is crucial to simplifying and facilitating so many operational aspect of the intra-ECOWAS trade, cannot be over emphasized



- **NON DIVERSIFIED ECONOMIES**

Agriculture and services have been the dominant productive activities of most West African economies; hence there have been no diversification of the production structure which has the potential of adding economic value



- **HIGH COST OF TRUCKING**

High trucking charges and lengthy delays due to trade facilitation issues are common challenges associated with the ECOWAS cross-border trade



- HIGH PRICE OF ICT SERVICES

Many ECOWAS countries are not connected to the submarine cable and even those who are connected face high cost due to lack of competition on international gateway

- INEFFICIENT PORTS OPERATIONS

The ECOWAS cross-border ports records poor operational performance and absence of a transshipment hub



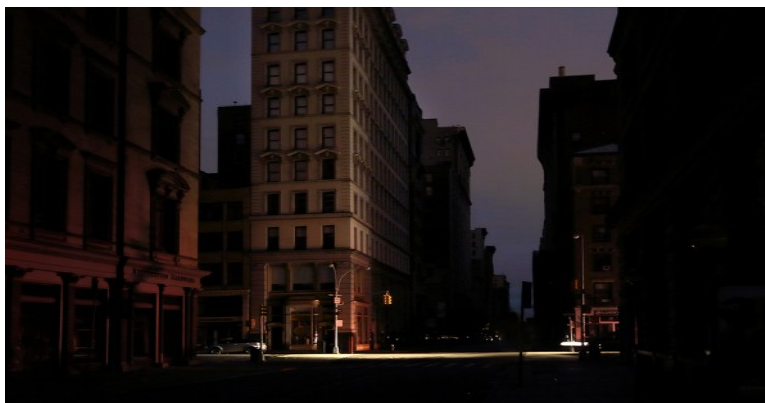
- **NON CONNECTIVITY OF AIRPORT**

Most ECOWAS country have low level of connectivity with lack of a strong regional hub, aging fleets and poor record with respect to air traffic safety



- **LOW LEVEL ENERGY GENERATION**

A lack of generation capacity has led to unreliable service, with only 70% demand being satisfied



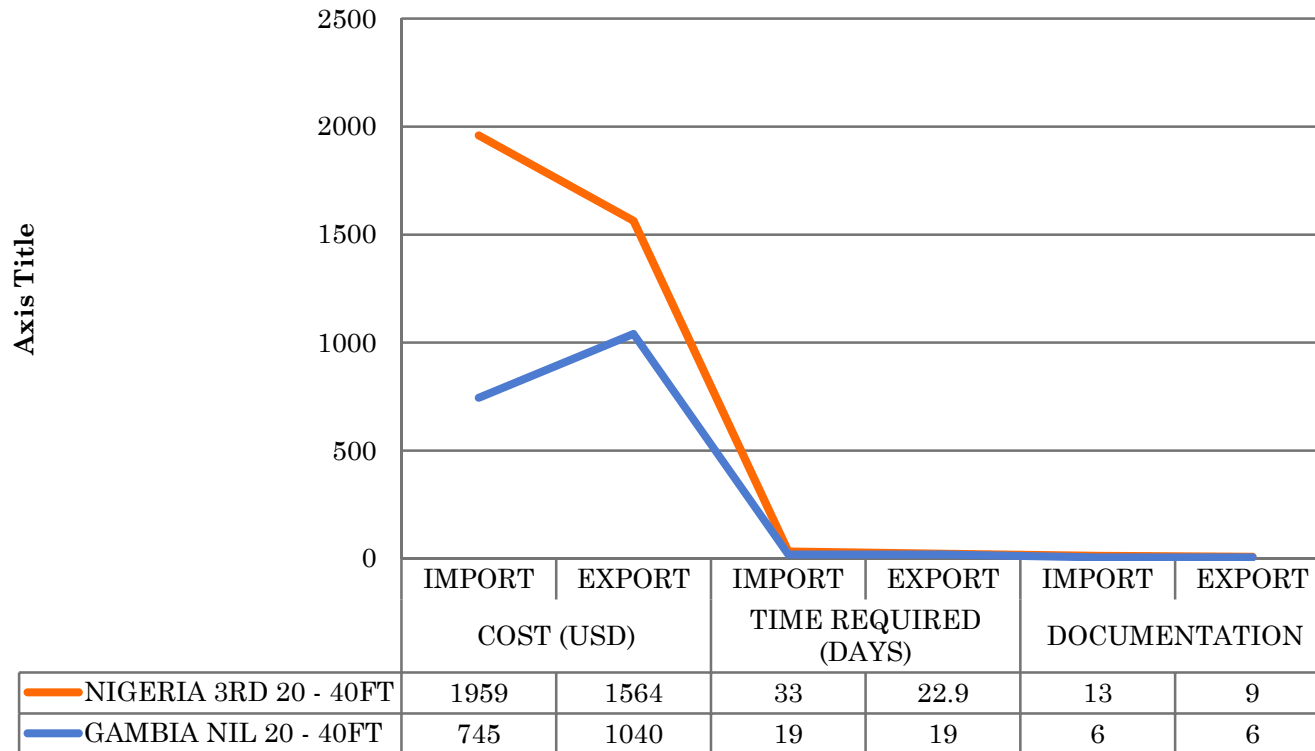
- **UNEASY MOVEMENT OF CARGO**

The challenges with the ECOWAS Cross-border trade is the unease with movement of goods from one transit port to the other using the dysfunctional modes



Below is a graphic presentation of ranking of some ECOWAS countries with regards to **DIFFICULTIES WITH DOING BUSINESS ACROSS BORDER**

Chart Title



RECOMMENDATIONS

If the ECOWAS cross-border trade is to be effective in integrating the economies of the West African region, the following recommendations should be considered;

- 1) A sound infrastructure is crucial to a successful intra-regional trade as well as a significant determinant for growth in ECOWAS. Effort must therefore be directed to seeing that member states improve upon their electricity generation, as well as road and telephone density.
- 2) There is the need for a regional hub for transshipment. The creation of a West African hub would facilitate the consolidation of sea freight for the region.



3) Steps should be taken at addressing administrative barriers at the ports with that of the borders. The unnecessary delays, harassments and massive graft associated with corruption among those engaged in intra - regional trade in West Africa needs to be tackled in order to increase trade. This will require a coordinated and harmonized implementation of ECOWAS protocols on the free movement of goods and people across the region by, in particular, dismantling the numerous security outposts and check points along the borders. The establishment of a common understanding between economic operators and the relevant government ministries/departments and border agencies (customs, immigration and police) will improve compliance with ECOWAS trade - related protocols and ease the flow of trade at border posts and harbours leading to increased intra - ECOWAS trade and deepening of the economic integration process.



4) Since most industrial goods penetrating the West African trade region are processed agricultural commodities such as sugar, canned beef, frozen meat, tobacco, textiles, leather products and other agro-based industrial products, the right policy mix will greatly improve the prospects for the expansion of intra-regional trade in processed and agro-based industrial products.



- 5) In order to stimulate trade and cross – border investment and the establishment of a common external tariff, it will be necessary to accelerate the process for adopting a single currency for the region and to harmonise the economic and financial policies of member states. Such an exercise demands that all member states adhere to the ECOWAS macro-economic convergence criteria and adopt a surveillance mechanism for macro-economic policies. The mechanism should be streamlined with national economic policies. This programme is imperative for the advancement of the integration process and will ensure that individual states increasingly take account of the regional dimension in their development efforts.

- 6) The adoption of Common External Tariff (CET) by countries within the Western region has provided an added advantage to facilitating business transaction across ECOWAS trade borders



CONCLUSION

- Cross-border trade and regional integration have already become a reality in most parts of the world and even in other parts of Africa, with Regional Economic Communities growing from strength to strength. Indeed, it is widely believed that regional economic integration is the only way for West Africa countries to survive the negative effects, and collectively, take advantage of the opportunities of globalization. The message for policy makers then is that the elimination of those visible and invisible controls and barriers to the implementation of the ECOWAS cross-border as well as creating the necessary environment within which countries can function successfully will increase investment in the region and thus restructure economic activities towards greater global competitiveness.

