AFRICAN CONTINENTAL FREE TRADE AREA: Trade Opportunities or a Threat to ECOWAS?

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ABSTRACT

African countries have embraced regional economic integration as a strategy of economic transformation and sustainable development since the 1950s. To date, however, African countries have had a dismal record in economic integration. With the notable exception of SACU, African integration schemes have had very limited, if any, impact on the economies of the participating countries and virtually no effect on the world trading system.

The establishment of the AfCFTA is a fresh attempt to succeed, where past endeavours did not achieve much. The Agreement establishing the AfCFTA is based on its potential to "boost intra-African trade, stimulate investment and innovation, foster structural transformation, improve food security, enhance economic growth and export diversification, and rationalise the overlapping trade regimes of the main regional economic communities". The attainment of this lofty ambition is a function of the stakeholders' ability to overcome all the challenges responsible for failure in the past endeavours. Unquestionably, a continental free trade area of 55 countries with an estimated consuming population of 1.3 million people will, all things being equal, create a large market, lower tariffs and reduce non-tariff barriers, increase intra-area trade while reducing transactions cost, enhance export diversification and attract foreign direct investment, among other things.

As the eight selected RECs, including ECOWAS, will form the building blocks of the AfCFTA, the synergy will positively impact on ECOWAS in several ways. These include: offering it a large market for its manufactures and services, provision of incentives for FDI, a vibrant and competitive industrial sector, a good platform for *infrastructure development and technological transfer, and greater access to inputs and intermediary outputs which reduces the cost of innovation. There is no doubt that potentials exist in economic integration schemes for the advancement of the economies of member states. Albeit, the traditional theory of economic integration does not guarantee high economic growth nor does it offer an equitable distribution of the gains from trade. A lot depends on how the emerging challenges in the integration process are managed.*

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1. Introduction

Since World War II, there have been many efforts towards regional integration around the world, with the European Union (EU) as a successful example. In the last six decades, African countries have pursued regional integration arrangements to accelerate their economic development. These are seen as a way of overcoming the advantages of small size and weak economic structures. Import-substituting industrialization (ISI) in the 1950s and 1960s failed to deliver development-propelled African countries to follow the examples of other developing countries in embracing regional cooperation and integration.

To date however, African countries have had a dismal record in economic integration. With the notable exception of the Southern African Customs Union (SACU), African integration schemes have had very limited, if any, impact on the economies of the participating countries and virtually no effect on the world trading system. Consider that, in 2018, the African Export-Import Bank reported that only 16% of international trade by African countries took place within the African continent while Africa's volume of global merchandise trade was only 3% for the same year; and its share of world exports stood at a mere 2.4% in 2017.

By way of definition, a regional integration arrangement is a preferential (usually reciprocal) arrangement among countries that reduces barriers to economic and non-economic transactions (UNECA, 2004). Depending on the desire and circumstances of the cooperating countries, regional integration arrangements differ in the discretion they allow members to set policies – particularly commercial policies – towards non-members. Preferential and free trade areas allow members to set commercial policies but customs unions set commercial policies uniformly. Also, arrangements vary according to the depth of integration. Preferential and free trade areas offer members preferential tariff reductions while common markets and economic unions synchronize product standards and harmonize tax and investment codes. The breadth of activities covered by regional integration schemes also differs. Evidently, some integration movements are restricted to trade in goods; others extend to factor mobility and trade in services. Of course, if and when, the ultimate stage of integration in the form of a political union is attained, national governments cede sovereignty over economic and social policies to a supranational authority.

It is reasonable to say that the most significant trend in this new millennium is global competitiveness. In the face of the opportunities and challenges posed by the current globalization, nations are moving to integrate their economies with those of their neighbours to create larger and more competitive regional economic blocs and to engage in international trade – not just as individual states but as regional powers. This policy shift is nowhere more compelling than in Africa, where the combined impact of its relatively small economies, unfavourable international terms of trade, the legacy of colonialism, misrule and conflict has meant that Africa has not yet assumed its global market share – despite its significant market size. The advantages of regional integration in Africa have long been recognized. The creation of the Organization of African Unity (OAU) in 1964 reflected the awareness by leaders of the day, that Africa's strength was rooted in Pan-African cooperation.

The Abuja Treaty of 1991 establishing the African Economic Community embodies Africa's will to transform itself from a continent of individual least developed and developing economies to a strong, united bloc of nations. The treaty, which came into force in 1994, calls for forming the African Economic Community in six phases over 34 years (UNECA, 2004). The first phase rightly focuses on strengthening the existing regional economic communities to become effective building blocks for the African Economic Community.

The communities are expected to evolve into free trade areas, customs unions, and, eventually, a common market covering the entire continent.

The stages and specific timelines for the achievement of the integration plan are as follows:

Stage 1 (1991): Strengthen existing regional economic communities (RECs) and establish RECs in regions where they do not exist

Stage 2 (2007): Stabilize tariff and non-tariff barriers, customs duties and internal taxes in force within RECs

Stage 3 (2017): Establish a free trade area (FTA) through implementation of the timetable for gradual removal of all tariff and non-tariff barriers to intra-community trade, establish a customs union by adopting a common external tariff within RECs

Stage 4 (2019): Co-ordinate and harmonize tariff and non-tariff systems among the various RECs with a view to establishing a customs union at the continental level by means of adopting a common external tariff

Stage 5 (2023): Establish an African common market through sectoral integration, harmonization of monetary, financial and fiscal policies, and free movement of persons and rights of residence and establishment within the continent

Stage 6 (2028): Consolidate and strengthen the African common market through free movement of people, goods, capital and services; integrate all sectors, establish a single domestic market and a Pan-African economic and monetary union; establish a single African Central Bank and create a single African currency with allied institutions, and finalize the harmonization and coordination of the RECs

The thinking behind the above sequence of activities is to consolidate the vision of integration at the regional level through creating and strengthening RECs and harmonizing and integrating the RECs into the African Economic Community (UNECA, 2012).

Although the continental free trade area (CFTA) was not specifically mentioned in the Abuja Treaty, it is a precondition for the establishment of a continental customs union and was expected to be established between 2017 and 2019 when the continental customs union was scheduled to be in place.

Thus, to fast-track the process, the African Union Summit held in Addis Ababa in January 2012 reached an agreement to establish a continental free trade area by 2017. The agreement was signed on 21st March 2018 during the Summit in Kigali, Rwanda by 54 countries, and it entered into force on 30th May 2019 (see ANNEX-1).

This paper aims to assess the potential impact of the African Continental Free Trade Area (AfCFTA) on the Economic Community of West African States (ECOWAS) integration process, evaluating the costs and benefits of the harmonization.

2. Theoretical and Empirical Rationale for Integration

Africa does not have a track record of regional integration successes, as noted earlier; yet there is a high level of activity in this field. Currently, Africa's integration landscape has an array of regional economic communities, including eight at various stages in the integration process, considered the building blocks of the African Economic Community (see table 1).

Table 1. State of Regional Integration in the RECs

Regional Economic Community (REC)	Stage of integration completed (2016)	Average applied tariff on imports from the REC (%) (2015)	Fully liberalized tariff lines (% of total) (2015)
EAC (East Africa Community)	Common Market	0.00	100
IGAD (Intergovernmental Authority on Development)	None	1.80	22
ECCAS (Economic Community of Central African States)	Free Trade Area	1.86	34
COMESA (Common Market for Eastern and Southern Africa)	Free Trade Area	1.89	55
AMU (Arab Maghreb Union)	None	2.60	49
SADC (Southern African Development Community)	Free Trade Area	3.80	15
ECOWAS (Economic Community of West African States)	Customs Union	5.60	10
CEN-SAD (Community of Sahel-Saharan State)	None	7.40	N/A

Source: AU-ECA-AFDB (2016, 2017), Assessing regional integration in Africa VIII: Bringing the continental Free Trade Area About.

There are of course seven geographically more limited regional economic communities that are subsets of the eight building blocks. As can be gleaned from the table, only the East African Community (ECA) and ECOWAS have made appreciable progress in the integration process. The former is a common market while the latter is now a customs union. Even in these two cases, the volume of intra-community trade was of the order of 12 to 15% for ECOWAS and 12.8% for ECA in 2005; the comparable figure for the Southern African Development Community (SADC) stood at only 7.7% (Zannou, 2009). When one juxtaposes the African performance in the area of economic integration with the situation in advanced countries, the difference becomes glaring. For example, intra-regional trade within the North American Free Trade Agreement (NAFTA) was as high as 43.8% in 2009. As for the European Union (EU), in 2019, most member states had a share of intra-EU exports between 50% and 75% (Eurostat, 2019).

The disappointing history of failure of integration arrangements in Africa, when compared to experiences elsewhere in the world, has led to questions being asked about the appropriateness of regional integration as an instrument of economic development. Recently, some doubts were raised, notably by Charles Harvey (1999)**,** as to whether regional integration is really the right route to development for typical small African economies. While such doubts may have their appeal, they are based on a static notion of the traditional theory of integration.

The economic analysis of the traditional theory of integration centres fundamentally on two things:

(i) the effects of economic union on aspects of welfare; and

(ii) the effects of union on the pattern and volume of production and consumption pattern under static assumptions in which such things as factor endowments, technology, demand and population are assumed to be fixed.

The latter, which focuses on the more dynamic aspects of the theory, such as the existence of economies of scale, variable factor proportions and polarization, relaxes the static assumptions. Taking its criteria for evaluation from the static effects, the primary concern of the theory of integration has been to examine the desirability of a customs union from the world's welfare standpoint.

2.1 Trade creation and diversion

Viner's celebrated pioneer work distinguishes between two effects: trade creation and trade diversion (Viner, 1950). Trade creation in the economist's parlance, is said to occur if and when a pre-union high-cost domestic producer is displaced and replaced by an intra-union low-cost producer after the formation of a customs union. Since the formation of a customs union has brought in its wake the relocation of production in the lower-cost location within the union, trade creation has a salutary effect on the national income of the integrated economies and *ipso facto*, of the world.

Conversely, trade diversion occurs if, before the union, a high-cost (inefficient) producer having been sheltered by a post-union discriminatory tariff wall captures part of or the union market. This would represent not only a loss in world national income but also a loss or a gain to the total national income of the union. Thus, in its simplest form, the Vinerian analysis leads to one important conclusion, namely a customs union raises the world's welfare if its trade creation effect outweighs its trade diversion effect or vice versa. (Ezenwe, 1983). In other terms, regional integration arrangements generate welfare gains only when trade creation dominates trade diversion – an outcome that cannot be determined in advance.

Regional integration arrangements also generate two other trade effects, whose importance varies among member countries. First, such arrangements reduce government revenue from tariffs, directly through tariff cuts among members and indirectly through a shift away from imports from non-members subject to tariffs. The cost of this loss depends on how easily members can switch to alternative ways of raising funds, but it can be high in countries that rely heavily on tariff revenue, and most of the countries of Africa belong to this category.

Second, regional integration may improve the terms of trade of member countries if changes in trade volumes (because of more demand for goods originating from an integration area and less demand for the same goods originating from outside it because tariff makes them more expensive) lower world prices. Put differently, the greater the regional arrangements share in the world market, the larger the potential gain will be but, because the terms of trade gain comes at a cost to non-members, their reaction matters a great deal.

2.2 The trade diversion challenge

Trade diversion poses a major problem, especially to community members who depend largely on customs revenue. The ECOWAS Common Extend Tariff (CET) came into effect from 1st January 2015 and as at the end of 2019 only 14 of the 15 member states had started implementing the policy. Thus, the impact on members' economies is yet to be determined. Elsewhere, the Common Agricultural Policy of the European Union provides a good example of the effect of trade diversion. Empirical estimates suggest that the cost of protection amounts to at least 12% of EU farm income. Similar examples are clothing imports in the North American Free Trade Agreement (NAFTA) and capital goods imports in some Andean Pact Countries (World Bank, 2000). In these cases, the revenue losses can be quite substantial. It is estimated that Zambia and Zimbabwe could lose half of their customs revenue if free trade is introduced in the South African Development Community (World Bank, 2000). Customs revenue provides 6% of the government revenue of Zambia and 10% for Zimbabwe (UNECA, 2004).

However, trade creation dominates trade diversion but the nature and magnitude of gains will be a function of the type of integration arrangement. Countries should consider *ab initio*, how wide and deep their integration scheme should be.

2.3 Types of regional integration schemes

There are generally six easily identifiable types of regional integration arrangements. They are shown in table 2 as well as their features. The Economic Commission for Africa (ECA) provided a standard definition for each of them in its 2004 Policy Research Report thus:

Preferential trade area – an arrangement in which members apply lower tariffs to imports produced by other members than to imports produced by non-members. Members can determine tariffs on imports from non-members.

Free trade area – a preferential trade area with no tariffs on imports from other members. As in preferential trade areas, members can determine tariffs on imports from non-members.

Customs union – a free trade area in which members impose common tariffs on non-members. Members may also cede sovereignty to a single customs administration.

Common market – a customs union that allows free movement of the factors of production (such as capital and labour) across national borders within the integration area.

Economic union – a common market with unified monetary and fiscal policies, including a common currency.

Political union – the ultimate stage of integration, in which members become one nation. National governments cede sovereignty over economic and social policies to a supranational authority, establishing common institutions and judicial and legislative processes – including a common parliament.

Table 2. Features of Regional Integration Arrangements

Types of arrangement	Free Trade among members	Common commercial policy	Free factor mobility	Common monetary and fiscal policies	One government
Preferential trade area	No	No	No	No	No
Free trade area	Yes	No	No	No	No
Customs union	Yes	Yes	No	No	No
Common market	Yes	Yes	Yes	No	No
Economic union	Yes	Yes	Yes	Yes	No
Political union	Yes	Yes	Yes	Yes	Yes

Sources: Economic Commission for Africa.

3. Establishment of the AfCFTA

The Abuja Treaty of 1991 sought to bring together the 55 countries of Africa with an estimated population of 1.3 billion, creating a single $3.4 billion market with a combined GDP of $2.5 trillion in 2019 (AU). The Agreement establishing the AfCFTA is based on its potential to "boost intra-Africa Trade, stimulate investment and innovation, foster structural transformation, improve food security, enhance economic growth and export diversification, and rationalize the overlapping trade regimes of the main regional economic communities" (AU-ECA-AFDB, 2017).

Article 6 of the AfCFTA Agreement further states that its scope "shall cover trade in goods, trade in services, investment, intellectual property rights and competition policy". The formation of the Africa Union (AU) in 2002 provided strong impetus to African countries to accelerate the continental integration process. Furthermore, three RECs, namely COMESA, EAC and SADC, signed a tripartite FTA in 2011. The COMESA-EAC-SADC FTA covers 26 African countries with a combined population estimated at 530 million, accounting for more than half of Africa's GDP. This agreement is viewed as having energized the interest of African policymakers in fast-tracking the continental FTA. Similarly, a study commissioned jointly by the Africa Union Commission (AUC) and Economic Commission for Africa examined various issues affecting intra-African trade and made a compelling case for fast-tracking the CFTA (AUC/UNECA, 2012).

The agreement establishing the African Continental Free Trade Area (AfCFTA) was launched at an extraordinary summit of the African Union held in Niamey (Niger) on 7th July 2019, and by November 2019, 54 out of 55 African countries had signed the AfCFTA agreement. The agreement came into force on 30th May 2019 after the first 24 ratification instruments were deposited. The AfCFTA Secretariat will be hosted by the Republic of Ghana.

3.1 Benefits of the AfCFTA

Currently, African countries benefit from relatively low barriers to trade with the rest of the world. They substantially benefit from several preferential agreements, including the Standard Generalized System of Preferences (GSP), GSP+, Everything-But-Arms (EBA), and the African Growth and Opportunity Act (AGOA). As a result of these agreements, African countries enjoy asymmetrical trade protection from the rest of the world. The level of tariff protection faced by African exports into the rest of the world was estimated at 2.5% compared to 13.6% protection by African countries against imports from the rest of the world (Mevel and Karingi, 2012).

Surprisingly, trade among African countries faces high tariff barriers, with average protection rate estimated at 8.7% (Mevel and Karingi, 2012). Disaggregated tariff analysis at country level revealed that only 17 countries (1/3 of African countries) impose or face tariffs lower than the respective African average. The remaining 37 countries impose higher tariffs than the African average, face higher tariffs than the African average or experience both (Mevel and Karingi, 2012). Although, integration within the eight recognized RECs is uneven, there has been substantial progress towards creating FTAs with the RECs and lowering trade barriers. Consequently, tariff barriers have dropped substantially (see table 1).

Another beneficial impact of the CFTA is the drive to bridge the gap and accelerate progress among the RECs lagging behind in the integration process. As shown in table 1, as of 2016 only two of the eight RECs regarded as the building blocks had achieved the customs union status essential for achieving continental integration. The Abuja Treaty expects all RECs to establish customs unions by 2017 which would be harmonized into a continental customs union by 2019. The successful attainment of this goal will enable further elimination of trade barriers among African countries, stimulate further trade and consequently, growth and development at the continental level.

Also, the African CFTA is expected to increase intra-African trade by up to 52.3% as a result of tariff reductions, rising to potentially doubling intra-African trade, if non-tariff barriers and trade facilitation are also addressed (Mevel and Karingi, 2012).

Undoubtedly, the resultant effect of doubling intra-African trade would increase wages for unskilled workers in the agricultural and non-agricultural sectors as well as a shift in employment, even if limited, from the agricultural to non-agricultural sectors.

The benefits of reduction in non-tariff barriers and reduction with trade facilitation expected from AfCFTA will grow over time. According to Chauvin et al. (2016), in the long run, say by 2027, benefits associated with AfCFTA are estimated to increase Africa's welfare by 2.6% (which would be equivalent to about $65 billion in 2018 terms). Thus, the reduction in non-tariff barriers and transaction costs is expected to contribute significantly to improving welfare gains.

Furthermore, there are additional dynamic benefits which the AfCFTA could create. An African free trade area will certainly lead to export diversification which in turn can result in more sustainable growth, an enlarged regional market that better attracts foreign direct investment (FDI), and the promotion of industrial exports likely to catalyse structural transformation.

Although as members of the World Trade Organization (WTO), African countries are subject to its most-favoured nation (MFN) treatment, which requires that a tariff rate given to one WTO member partner must be extended to all other WTO member partners. However, there are some exceptions, namely allowed preferential treatments or regional agreements, hence WTO membership of African countries will not significantly detract from the beneficial effects of AfCFTA.

3.2 Challenges of existing regional economic communities (RECs)

As stated earlier, Africa's current integration space contains multiple regional economic communities, including the eight (see table 1) considered the building blocks of the African Economic Community. In addition to these, there are seven geographically more limited regional economic communities which are subsets of the eight building blocks. They are the:

- Central African Economic and Monetary Community (CEMAC), a group of six ECCAS countries;

- East African Community (EAC), made up of COMESA members Kenya and Uganda and SADC member Tanzania;
- Economic Community of Great Lakes Countries (CEPGL), consisting of three members of ECCAS;
- Indean Ocean Commission (IOC), made up of four members of COMESA and one (Reunion) that is a dependency of France;
- Mano River Union (MRU), consisting of three members of ECOWAS.
- Southern Africa Customs Union (SACU), consisting of five members of SADC; and
- West African Economic and Monetary Union WAEMU), encompassing eight members of ECOWAS.

These regional communities are envisaged to evolve into free trade areas and customs unions, eventually consolidating and culminating in a common market covering the continent. However, concrete achievements with regard to regional integration in Africa remain limited, despite considerable political rhetoric and protracted efforts by governments, institutions and other players. One common criticism is that unlike economic integration in Europe (the European Union), North America (the North America Free Trade Agreement), and South America (the Common Market of the South), regional integration in Africa has done little to accelerate growth or even regional trade. Certain challenges have tended to militate against the full attainment of regional economic integration goals in Africa. The key constraints include but are not limited to the following (UNECA, 2004):

- *Multiple and overlapping memberships.* The many regional economic communities with overlapping memberships are perceived as a waste of effort and resources. Having multiple groups increases the work of harmonization and coordination and complicates the eventual fusion of regional communities into a single African continental market. Rationalization of existing RECs has often been suggested as the way out of the difficulty. Initiatives in this direction have yielded appreciable results with clearer definitions of the mandates, objectives and responsibilities of institutions serving the same constituents.

- *Countries' reluctance to adhere to integration programmes* (such as eliminating tariffs) because of concerns about uneven gains and losses, and the persistence of barriers to free flows of goods, services, and people across borders.
- *Insufficient technical and analytical support* (such as cost-benefit analyses) for some integration instruments (such as trade liberalization), which could hamper their implementation or lead to speculations about their effects on different member states.
- *Divergent and unstable national macroeconomic policies*
- *Inadequate capacity and resources among countries and regional economic communities* to spearhead the integration process. Some of the RECs lack clarity of vision, strategies, and plans, resulting in diffuse activities. Regional institutions, often ignoring the "principle of subsidiarity", have pursued both regional and national activities.
- *Lack of coherence and links among sectoral cooperation programmes and macroeconomic policies* pursued by regional economic communities.
- *Missing and ineffective mechanisms* for organizing, implementing, controlling, monitoring, and revising the integration process.
- *Lack of national mechanisms* to coordinate, implement, and monitor integration policies and programmes, and
- *Inability to make integration objectives, plans and programmes* part of national development frameworks.

The foregoing constraints notwithstanding, it is observed that revitalized RECs can drive change in Africa. Even so, for integration to yield the desired results, efforts must be made to address the operating hindrances. Such efforts should be geared to:

- Promoting equitable distribution of the costs and benefits of integration.
- Providing technical and financial support to regional programmes.

- Making Africa's integration agenda compatible with external obligation such as arrangements of the WTO and the West Africa-European Union-Economic Partnership Agreements (WA-EU-EPA).
- Ensuring compatibility among regional integration schemes aimed at the goals of the African Economic Community – which invariably implies eliminating inconsistencies from overlapping memberships.
- Promoting interaction among regional economic communities and specialized development institutions.
- Putting the private sector at the centre of the integration agenda.
- Fostering competitiveness of regional economic communities and of Africa as a whole, domestically and internationally (UNECA, 2004).

The limited progress of the African integration movement is largely traceable to the enormous constraints and challenges the RECs face. Some have overly ambitious goals relative to limited resources and capacities. Still, the RECs represent an important effort at breaking down colonial demarcations. They are largely home-grown, developed through complex negotiations among members. Implementation has not been perfect, and there have been periods of inaction and backsliding, but the RECs have created solidarity among their members and laid the foundation for eventual economic union.

4. ECOWAS Progress in Regional Integration

The Economic Community of West African States is one of the eight RECs listed in table 1 that will become effective building blocks for the African Economic Community under the Abuja Treaty of 1991. The communities are expected to evolve progressively over a period of 34 years from free trade areas and customs unions, eventually to a common continental market. As shown in the introductory part of the paper, the attainment of the integration plan is in six phases with specific timelines. Given its state of development, ECOWAS falls within the 2^{nd} and 3^{rd} stages of the continental integration roadmap.

Despite the challenges facing integration movements in Africa, ECOWAS has made notable progress in economic cooperation as well as in accelerating the overall regional integration process. Some of the more important achievements relate to infrastructure, financial institutions, customs union, free movement of persons, harmonization of macroeconomic policies and other enablers such as capacity building and peace and security. Let us briefly touch on them.

4.1 Infrastructure

Infrastructure is a key enabler in any integration cum development process. Regional infrastructure – transport, communication and energy – is required to widen and integrate markets, achieve economies of scale, encourage participation of the private sector and attract foreign direct investment and technology. ECOWAS has made appreciable progress in this area as well as in managing its energy resources through the West Africa Power Pool (ECOWAS, 2016).

4.2 Financial institutions

Apart from the establishment of the ECOWAS Bank of Investment and Development as part of the integration architecture, private sector operators in the region have established banks outside their own countries. For example, Nigerian banks have branches in Togo, Ghana and Gambia, among others. This has contributed to closer financial linkages, thereby intensifying trade, and economic and financial interdependencies in the sub-region.

4.3 Customs union

The Economic Community of West African States is now a customs union. It is strengthening the free trade area with the ECOWAS Trade Liberalization Scheme (ETLS) as the promotional tool and applying the ECOWAS 5-Band Common External Tariff (CET). One important trade effect of regional integration deducible from table 3 is the reduction of government revenue from tariff through tariff cuts among member countries in varying degrees.

Table 3. ECOWAS 5-Band Common External Tariff

Tariff	Goods Coverage
0%	Essential social goods
5%	Goods of primary necessity, raw materials and specific inputs
10%	Intermediate goods
20%	Final consumption goods
35%	Specific goods for economic development (essentially agricultural goods and some consumer goods).

Source: ECOWAS Commission

Few studies exist on the impact of ECOWAS CET on members and these tend to be inconclusive. For example, a study by Akinbobola (2015) concluded that ECOWAS CET has "a positive but minimal effect on macroeconomic performance in Nigeria". Using a partial equilibrium framework, Diop (2015) conducted a similar study in Senegal on the impact of WAEMU CET on the economy. He found that the CET would have a negative impact on fiscal revenue and inflation but exert a dramatic change in tax structure; mainstreaming consumption taxes and VAT to the detriment of collected duties. He recommended structural reforms beyond external tariff alignment to address the challenge to which ECOWAS responded with harmonization of the customs procedures.

In November 2019, ECOWAS conducted a regional study on the impact of the CET on the fourteen states applying it, with the exception of Cabo Verde where a study is still on-going, and found that the application of the CET has generally had a positive impact on the economies of member states. In fact, the survey revealed a phenomenon of the substitution of certain imports from Third World countries by community imports; a situation that has strengthened the position of goods of ECOWAS origin in certain segments of the market (ECOWAS, 2019).

4.4 Harmonization of macroeconomic policies

Harmonization of divergent economic policies within ECOWAS would surely enhance the attainment of the regional integration agenda. This has engaged the attention of the Commission, especially in the area of macroeconomic convergence, agricultural development, environment, private sector promotion, human resources, and peace and security, to mention a few.

In collaboration with the West African Monetary Agency (WAMA), West African Monetary Institution (WAMI), and the West African Institute for Financial and Economic Management (WAIFEM), it has been working towards the realization of the ECOWAS single currency by 2020 which in the face of existing challenges sounds like a tall order.

The ECOWAS report (2016) on macroeconomic convergence in the region provides a comprehensive account of the state of the Commission's macroeconomic policies harmonization efforts. Despite the effort, the results have not yielded the much desired expectations as a result of internal and external shocks facing the region, over which they do not have much control. The assessment of country performance under macroeconomic convergence is based on the criteria adopted by the ECOWAS Authority of Heads of State and Government at its meeting of 29th June 2012 and later amended at the meeting of 16 December 2015. They consist, as shown in table 4, of four primary criteria (made up of ratio of budget deficit to nominal GDP, annual average inflation rate, financing of budget deficit, and gross external reserve size) and two secondary criteria (comprising nominal exchange ratio variation and ratio of total public debt to GDP). The summary of the performance of member states for each of the convergence criteria for 2015 and 2016 is presented in table 4.

As the table clearly depicts, no member country met all the convergence criteria in 2015 and 2016. On **Ratio of Budget to GDP** only six (6) states in 2015 and three (3) in 2016 satisfied the condition. As regards **Annual Average inflation**, the general performance was relatively better as fourteen (14) and twelve (12) countries in 2015 and 2016 respectively met the criteria.

The criterion of central **bank financing of the budget deficit lower than 10% of the previous year's revenue** was met by thirteen (13) countries in 2016, compared to twelve (12) in 2015. Indeed, in 2016, only the Gambia (33.1%) and Sierra Leone borrowed from the central bank to finance their budget deficit more than the Community target of 10%.

With respect to **the gross external reserves,** in 2016, the gross external reserves of twelve member states covered at least three months of their imports. The three countries whose reserves fell short of the three months of imports were the Gambia (2.4 months), Ghana (2.8 months) and Guinea (1.4 months). For both 2016 and 2015, Nigeria (5.2 months & 5.8 months) and Cabo Verde (6.4 months & 6.6 months) had the largest coverage.

Concerning the **nominal exchange rate variation** for three currencies in relation to the West African Unit of Account (WAUA), there was an average variation outside the ±10% band. The currencies in question are the Guinea franc, the naira and the leonne, which depreciated on the average of 16.4%, 23.5% and 19.1% respectively.

The other secondary criterion has to do with debt-to-GDP ratio (≤70%). The debt stock of nearly all the members states of ECOWAS increased compared to 2015. Four (4) members recorded a debt ratio above 70% in 2015 as well as 2016; these were: Cabo Verde (128.6%), the Gambia (117.3% compared with 101.1% in 2015), Ghana (73.1% compared with 73.2% in 2015) and Togo (79.4% compared with 76.8% in 2015).

Expressed as a percentage of GDP, the region's public debt varied between 17.1% (Nigeria) and 128.6% (Cabo Verde), with the ratio falling below the 70% regional threshold in most (11) countries. The volatility of the external sector continued to exert unfavourable influence in the economies of West Africa. In particular, the falling international prices of most primary commodities of export interest to the region had tended to affect the area's current account balance. Besides, given the predominance of Nigeria, Ghana and Ivory Coast in regional trade, whatever happened to their economies had a spillover effect on the rest. For instance, in 2014, Nigeria accounted for 76%, followed by Ghana (19.2%) and Ivory Coast 8.6% of intra-regional trade (ECOWAS, 2016). As shown in the table, the economy of Nigeria nose-dived after 2014 and the effect was felt beyond its borders. Thus, as far as ECOWAS macroeconomic convergence is concerned, no member country has met all the criteria.

The macroeconomic convergence issue continued to occupy the attention of ECOWAS authorities. On 20th June 2019, the ECOWAS Ministerial Committee and experts met in Abidjan, Ivory Coast and after considering the ECOWAS 2018 Convergence Report could only agree on a name, "ECO" as the name of the single currency for the community to be established. They noted the poor performance of members on compliance with the convergence criteria, pointing to the vulnerability of West African economies to external shocks which restrains member states efforts to meet the convergence criteria. The Committee recommended a regional strategy to mitigate external shocks for sustained compliance with the convergence criteria, which the majority of the countries were yet to meet.

Table 4: Status of Convergence in 2015 and 2016

	Primary Criteria								Secondary Criteria							
	Ratio of budget Deficit to Nominal GDP equal or lower than 3%		Annual Average inflation rate equal or lower than 10%		Financing of Budget deficit lower than 10% of previous year's tax revenue		Gross external Reserve equal or higher than 3 months of imports		Nominal Exchange rate variation +/- 10%		Ratio of total public debt to GDP equal or lower than 70%		Number of Criteria met by Country		Growth rate	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Benin	-8.0	-6.2	0.3	-0.8	0.0	0.0	5.0	4.4	-9.3	0.5	42.4	49.4	5	5	2.1	4.0
Burkina	-2.0	-3.1	0.9	-0.2	0.0	0.0	5.0	4.4	-9.3	0.5	32.7	34.2	6	5	4.0	5.9
Cape Verde	-3.9	-3.5	0.1	-1.4	0.0	0.0	6.4	6.6	-9.3	0.5	126.1	128.6	4	4	1.1	3.9
Côte d'Ivoire	-2.8	-3.9	1.2	0.7	0.0	0.0	5.0	4.4	-9.3	0.5	40.8	42.1	6	5	9.2	8.8
Gambia	-6.3	-9.5	6.8	7.9	41.5	33.1	2.5	2.4	4.9	-3.3	101.1	117.3	2	2	4.3	2.2
Ghana	-4.8	-10.9	17.2	17.5	4.1	0.0	2.6	2.8	-15.7	-4.2	73.2	73.1	1	2	3.8	3.5
Guinea	-6.9	0.1	8.2	8.2	25.6	1.3	2.2	1.4	2.2	-16.4	43.3	43.1	3	4	4.5	5.2
Guinea Bissau	-2.7	-4.0	1.4	1.6	0.0	0.0	5.0	4.4	-9.3	0.5	46.8	46.1	6	5	5.1	6.1
Liberia	-1.6	-2.2	7.8	8.8	0.0	0.0	2.3	3.3	7.2	-8.4	32.0	36.7	5	6	0.0	-0.5
Mali	-1.8	-3.9	1.5	-1.8	0.0	0.0	5.0	4.4	-9.3	0.5	30.8	36.0	6	5	6.0	5.4
Niger	-9.0	-6.1	1.0	0.2	0.0	0.0	5.0	4.4	-9.3	0.5	36.0	39.7	5	5	4.0	5.0
Nigeria	-1.5	-2.2	9.0	15.7	13.1	0.0	8.2	5.8	-11.9	-23.5	12.6	17.1	4	4	2.8	-1.6
Senegal	-4.8	-4.2	0.1	0.8	0.0	0.0	5.0	4.4	-9.3	0.5	57.0	62.3	5	5	6.5	6.7
Sierra Leone	-4.1	-6.4	8.1	10.8	-0.7	33.1	3.8	4.7	-3.1	-91.1	29.1	55.7	5	2	-21.1	5.2
Togo	-6.3	-8.5	1.8	0.9	0.0	0.0	5.0	4.4	-9.3	0.5	76.8	79.4	4	4	5.5	5.1
Number of countries that met the criterion	**6**	**3**	**14**	**12**	**12**	**13**	**11**	**12**	**13**	**12**	**11**	**11**				

Source: ECOWAS Commission Convergence Report, 2016.

4.5 Free movement of persons

Free movement of persons encompasses the abolition of visa and entry permit requirements and guarantees right of residence and right of establishment. This has been exemplary in ECOWAS as no visa is required anywhere for nationals of member states who travel across the ECOWAS region. Article 59 of the Revised Treaty dealing with immigration clearly states that "citizens of the Community shall have the right of entry, residence and establishment and member states undertake to recognise these rights of community citizen in their territories in accordance with the provisions of the protocol relating thereto". This initiative unquestionably had a salutary effect on intra-regional trade. However, contrary to the spirit of integration, Nigeria expelled about three million "illegal aliens", who were mostly community citizens between 1982 and 1985, and in August 2019 closed its land borders mainly to check smuggling of agricultural and petroleum products. Recently, Ghana activated and enforced an old law enacted in 1994 which stipulated that "only capital intensive enterprises with a minimum capital outlay of US $300,000.00 and which employ no fewer than 10 Ghanaians are open to non-Ghanaians" (*The Punch*, 2018). This is seen as a ploy to expel many ECOWAS citizens resident in Ghana by first stopping them from doing small-scale businesses. Even so, ECOWAS has set up a task force on free movement of persons and goods in the region to address the challenges associated with the enforcement of the protocol. Nevertheless, it remains one of the important achievements of ECOWAS to date.

4.6 Capacity building

The community has robust capacity building programmes and projects (ECOWAS, 2017). These include identifying training concepts, mobilizing funds, organizing, conducting or facilitating workshops to cover a range of activities that include cross-cutting themes. In 2015, the ECOWAS Nnamdi Azikiwe Academic Mobility Scheme (ENAAMS) was instituted to boost the knowledge and research base of the region through improved access to quality education at the highest levels. The programme has provision for inter-institutional exchange of lecturers and promotion of regional integration and multi-linguistic skills of students through language immersion programmes. Thus, capacity building is perceived as one of the benefits of regional integration.

4.7 Peace and security

Among the main principles of the Treaty of Abuja establishing the African Economic Community are the peaceful settlement of disputes among members states and the promotion of peace as a prerequisite for economic development. Most regional economic community treaties affirm that peace and security are crucial for effective cooperation and integration (UNECA, 2014).

The Economic Community of West African States established the Economic Community of West African States Monitoring Group (ECOMOG) as a military force for conflict resolution and peace-keeping interventions within the community. The Group conducted operations in Liberia (1990-99); Sierra Leone (1997-2000) and Guinea-Bissau (1998-99). The best-known and perhaps best-developed peacekeeping mechanisms among African RECs are those of ECOWAS and SADC. The latter fielded operations in Lesotho (1998-99) and the Democratic Republic of Congo (1998 -2002) (UNECA, 2004).

5. Synergy Between ECOWAS and AfCFTA

The foregoing section (4) has highlighted ECOWAS progress in regional economic integration. Indeed, the ECA regards it as one of the good performers along with UEMOA and SADC (UNECA, 2004). Will the establishment of the AfCFTA facilitate or impede the demonstrated progress of ECOWAS? How can it leverage from the establishment of a continent-wide free trade area? The treaties creating Africa's regional economic communities set wide-ranging goals in many areas, with emphasis on trade and macroeconomic integration. The central objective of all the RECs, including ECOWAS, revolves around creating a single market for goods and services, facilitated by movement of persons, in order to deepen the economic integration of the region in question. In the case of AfCFTA, the drive is to become a single continental market, using the RECs as the building blocks. The establishment of AfCFTA will surely impact ECOWAS in many ways, in the short and long run, but the extent of such effects on individual member states and at the regional level would certainly require focused studies to unveil. For now, we can only identify areas where ECOWAS will experience certain costs and benefits in the process of forming part of the continental free trade area.

5.1 ECOWAS benefits from AfCFTA

The migration of ECOWAS from a market of an estimated 403 million consumers to an African continental single market of 1.3 billion people would radically transform and diversify the market structure in the following beneficial ways:

- The CFTA offers a larger market for ECOWAS manufactures and services.
- Enlarged continental market provides incentives for inward foreign direct investment (FDI) and the cross-border investment needed to spur productivity.
- A vibrant and competitive industrial sector is central to job creation and income growth, which is the key objective of the AfCFTA.
- An integrated African market potentially facilitates dynamic gains from competition.
- The CFTA provides a unique platform for cooperation on infrastructure development, investment technology transfer and innovation, and
- Greater access to inputs and intermediary outputs created by AfCFTA reduces the cost of innovation (AR, 2018).

5.2 The challenges of ECOWAS membership of AfCFTA

Membership of economic integration schemes invariably entails some costs and benefits. The more important challenges which would confront ECOWAS can be briefly discussed here. First, there is the prospect of customs revenue loss. This is a matter of considerable importance to the poorer states of West Africa where customs duties normally account for a sizeable portion of total government revenue. The loss of customs revenue has two dimensions. It occurs both in the countries that establish industries to replace imports from outside the integrated market, and in their partner countries that import their products. Economic integration has a tendency to polarize economic activities in the more advanced member countries due to the operation of economies of scale. Integration movements usually device some equitable distribution mechanisms to address this challenge.

Second, regional economic integration calls for the harmonization of macroeconomic policies of member countries. This often involves tough and complex negotiations because some of the stumbling blocks being experienced by members border on exogenous factors outside their control. As discussed in section 4.4, ECOWAS is still trying to enforce the 6-variable convergence criteria to operationalize its common external tariff (CET), to pave the way for ultimate introduction of a single currency. This challenge will persist as long as externalities exert their influence.

Third, the degree of commitment of members to the integration agenda can be a drag on the wheel of progress. The signing and ratification of extant protocols and conventions can be used as a measure of members' commitment and participation. As at 30th May 2019, only 28 members had signed and ratified the Agreement establishing the AfCFTA; that is roughly 50% level of commitment. One member, Eritrea is yet to sign the agreement. The degree of commitment of member countries varies and the more the countries, the greater the diversity of compliance with requirements, especially considering African politico-economic instability.

Fourth, member countries of a community are required to contribute to its annual budget. Given that many African countries belong to several economic integration schemes, the resultant contribution demands have led to contribution fatigue which has impacted negatively on the performance and progress of the affected communities. There is no doubt that non-payment of budgetary contributions by member states is an invitation to inertia.

Finally, infrastructure drives that process of regional economic integration. Economic integration requires effective infrastructure – transport, communication and energy – to widen and integrate markets, achieve economies of scale, encourage participation of the private sector and attract foreign direct investment and technology. Fortunately, ECOWAS offers a platform for cooperation on infrastructure development.

6. Summary and Recommendations

African countries have embraced regional economic integration as a strategy of economic transformation and sustainable development since the 1950s. To date, however, African countries have had a dismal record in economic integration. With the notable exception of SACU, African integration schemes have had very limited, if any, impact on the economies of the participating countries and virtually no effect on the world trading system.

The establishment of the AfCFTA is a fresh attempt to succeed, where past endeavours did not achieve much. The Agreement establishing the AfCFTA is based on its potential to "boost intra-African trade, stimulate investment and innovation, foster structural transformation, improve food security, enhance economic growth and export diversification, and rationalise the overlapping trade regimes of the main regional economic communities". The attainment of this lofty ambition is a function of the stakeholders' ability to overcome all the challenges responsible for failure in the past endeavours. Unquestionably, a continental free trade area of 55 countries with an estimated consuming population of 1.3 million people will, all things being equal, create a large market, lower tariffs and reduce non-tariff barriers, increase intra-area trade while reducing transactions cost, enhance export diversification and attract foreign direct investment, among other things.

As the eight selected RECs, including ECOWAS, will form the building blocks of the AfCFTA, the synergy will positively impact on ECOWAS in several ways. These include: offering it a large market for its manufactures and services, provision of incentives for FDI, a vibrant and competitive industrial sector, a good platform for infrastructure development and technological transfer, and greater access to inputs and intermediary outputs which reduces the cost of innovation. There is no doubt that potentials exist in economic integration schemes for the advancement of the economies of member states. Albeit, the traditional theory of economic integration does not guarantee high economic growth nor does it offer an equitable distribution of the gains from trade. A lot depends on how the emerging challenges in the integration process are managed. Both the extant RECs and the AfCFTA need to adhere to the following policy recommendations to achieve the desired end:

- Countries joining integration schemes must realize *ab initio* that the benefits come at a price, such as surrendering a measure of law-making powers to the supra-national authority after entry. National leaders should therefore be prepared to make the effort required to make regional integration work.
- There is a yawning chasm between project proposals and implementation due to insufficient capacity or resources or both. In other words, there should be sufficient political will to convert words into concrete action.
- Harmonizing of macroeconomic policies within a grouping can hardly take place where individual member countries display inability to make integration objectives, plans and programmes part of their national development frameworks. In other terms, the integration programmes should be an integral part of the national development agenda.
- Many countries belong to multiple communities with overlapping functions, which constitutes duplication of efforts and waste of resources. Rationalization of such RECs is suggested as the way out of the difficulty.
- Economic integration has a tendency to polarize economic activities in the more advanced member countries due to the economies of scale and mutual support of market demand created in advanced sub-regions. Therefore, a mechanism for the equitable distribution of the costs and benefits of integration must be established to avert tensions.
- Non-payment of budgetary contributions by member states is an invitation to inertia. No organization can function effectively without funds. Members should therefore follow the path of honour by meeting their budgetary obligations to their community.
- Finally, realizing the objectives of the 55-member states of AfCFTA calls for strong and sustained commitment from member countries. All the stakeholders should view the integration arrangements as bordering on economics and politics, and dedicate the efforts required to make them work.

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