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World Trade Organization and the challenges of regional integration in West Africa; 2011-2020

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Abstract

The study examined the link between World Trade Organization trade policies and challenge of regional integration in West Africa from 2011-2020. Specifically, the study investigated whether non-discriminatory principles of WTO have influenced trade policies of West Africa state between 2011-2020; whether trade liberalization policy of African states in line with WTO policies has strengthened intra-regional trade in West Africa between 2011-2020; and finally, whether WTO policy on Sanitary and phyto-sanitary measures has undermined external revenue earning capacity of West African states between 2011-2020. Theory of Unequal trade was used for the study. This study adopted Expo-facto design and documentary method of data collection based on the analysis of documents/ materials were used to generate further data and to analyze the data so generated. Findings revealed that WTO policies have brought about several challenges to West African integration as they have failed to provide adequate domestic protection against foreign competition. It was recommended among others that West African states should review the implementation of some of the WTO basic principles/policies, especially some of them that are detrimental to their interest since industrialised countries have always thwarted WTO rules when it is not in their interest while the WTO should revise or modify its principles/policies decision-making procedure since the existing system is not sustainable.

Keywords: Liberalization, intra-regional trade, trade policies, phyto-sanitary, non-discriminatory.

Introduction

Trade occupies an important place in international economic relations. Therefore, over the years, the world has continued to ensure that trade is well regulated through various means which include agreements reached among countries in the international community. According to (Ereke, Okonkwo and Okoli 2016), the General Agreement on Trade and Tariff (GATT) emerged in 1948 as a milestone achievement in the attempt by countries to regulate international trade. They further noted that in an effort to further strengthen the regulation and supervision of trade among nations especially with growth in complexity and volume of international trade, the GATT was replaced by the World Trade Organization (WTO) in 1995.

One of the main purposes of the WTO is to improve the standards of living of the people in its member states by establishing rules/policies to ensure that trade takes place as freely as possible. The WTO has attempted to achieve this objective through trade liberalization by reducing or eliminating trade barriers and increasing the transparency and awareness in respect of the rules/policies applicable to international trade (Lumina, 2008 in Reddy 2010). Recently, the WTO has been criticized by several authors like Altman 1999 in (Rensburg, 2019; Kingston, 2011; Khor, 2001; Obaseki, 1999; Frewen, 2010; Omole, 2011) because of the negative impact its rules/policies have had on the lives of people, especially from developing countries.

However, two thirds of the WTO's membership are from developing countries. They play an increasingly important and active role in the WTO because of their numbers, since they are becoming more important in the global economy; they increasingly look to trade as a vital tool in their development efforts.

WTO has encouraged all the states to take on obligations by signing agreements such as Trade-Related Intellectual Property Rights (TRIPS) and Trade-Related Investment Measures (TRIMS) which may not be entirely in their interests, intrudes on their sovereignty and may be beyond their implementation capacity. In developing countries WTO has not gone far enough in liberalizing trade, that WTO rules/policies should be expanded to include issues such as investment, labour standards, competition and environment (Lawrence, 2006, in Reddy 2010.) The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), for instance, is seen as having an adverse effect on poorer countries that are overwhelming importers of the technologies of a few rich countries (Shenkar & Luo, 2008). Thus, the developed countries have continued to influence and benefit from global trade more than the African countries (Ereke, Okonkwo & Okoli 2016).

Intra-regional trade in West Africa as a share of total foreign trade has traditionally been low compared to other regions. Figures in the early 1990s suggest that the proportion was only 8.4 percent in 1993 compared with Western Europe (69.9 percent), Asia (49.7 percent), North America (33 percent) and Latin America (19.4 percent). (WTO source, quoted in McCharthy, 1995, p. 21). However recorded trade underestimates the value of actual trade and if proper account was taken of the size of informal trade, the African numbers would not look so out of line. Furthermore, there is evidence that the importance of intra-regional trade has been steadily increasing in recent years.

Theorizing Unequal Trade

This study is anchored on theory of unequal trade developed by Raúl Prebisch, (1950) Hans Singer (1950) and Emmanuel Agiri (1972) as a framework for analysis. They examined the relationship between trade and development from the standpoint of the balance of payments. Their central argument was that the unfavorable impact of free trade on the terms of trade and balance of payments of developing countries far outweighs any advantages resulting from a more efficient allocation of resources.

Raul prebisch emphasized that some in Africa and sub-Saharan Africa were actually marginalized in the process, and the gap between the rich countries and the poor countries, instead of narrowing, was getting bigger and bigger. The agenda put forward by Dr. Raúl Prebisch to developing countries include resource flows, trade improvements, debt relief; stabilizing commodity prices and so on are all as relevant as they ever were. But they should also look at the changes that have come about in the world since that time, the greater integration of countries, the improvements in technology and transport, the need for some method of governance of the world economy, the need for ways in which the developing countries could participate in the decision-making process of the financial institutions like WTO, IMF and world bank.

Application to theory of the study.

In applying the unequal trade theory to the analysis of the link between World Trade Organization polices and its challenge of regional integration in West Africa, we posit that as an institutional mechanism, the WTO was set up as contemporary global institution that regulates trade between member states, provides a framework for negotiating and formalizing trade agreements, promoting fair trade among member states and to ensure that trade takes place as freely as possible. Africa including West Africa has experienced negative trade balance in the establishment of WTO and its policies, sadly, even though agriculture which is the mainstay of Africa's economy, the continent has performed badly in the world markets. The continent recorded negative trade balance not only in labor- and resource-intensive manufactured but also in lowskill and tech-intensive manufactured. Trade has also been skewed in favour of the developed countries (centre) against the developing countries (periphery) in such a way that enables them to develop faster than the developing countries. It was noted that resources flow from the periphery of the poor and underdeveloped states to core of the wealthy (developed) enriching the latter at the expense of the former. It also argued that the trade rules/policies under the WTO regime, contrary to the notion that they are meant to enhance Africa's participation in global trade, have really reinforced the continued marginalization of African states in global trade. For instance, certain WTO measures, policies and agreements like the Trade-Related Investment Measures (TRIMs), Trade-Related Aspects of Intellectual Property Rights (TRIPs) and phyto-sanitary regulations continue to confine African countries mono-cultural economies by instituting Non-Tariff Barriers (NTB) against certain commodities emanating from developing countries like Africa. All these intensifies an international division of labour that reduce Africa to only suppliers of primary commodities required by the developed countries and at the same time stifles the diversification of the individual African economies (Ereke, Okonkwo & Okoli 2016). Thus, the developed countries have continued to influence and benefit from global trade more than the African countries (Ereke, Okonkwo & Okoli 2016), Therefore global trade liberalization is antithetical to regional integration.

Trade Agreement of WTO and Trade Agreement of African states

According to (Okoli 2015) World Trade Organization important agreements are as follows:

1. **The Agreement on Trade-Related Investment Measures (TRIMs)**

Under the TRIMs Agreement, developing countries are prohibited from applying local-content requirement which obliges firms to use a specified minimal amount of local inputs, they are also prohibited from applying foreign exchange balancing which limits the import of inputs by firms to a certain percentage of their exports.

2. Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

The TRIPs were reached under the auspices of the (WTO) and sets down minimum standards for many forms of intellectual property regulation (IPR) as applied to nationals of other WTO Members. The TRIPS agreement introduced intellectual property law into the international trading system for the first time and remains the most comprehensive international agreement on intellectual property to date. Ratification of TRIPS is also a compulsory requirement of World Trade Organization membership, such that any country seeking to obtain easy access to the numerous international markets opened by the World Trade Organization must enact the strict intellectual property laws mandated by TRIPS.

3. The Agreement on Agriculture (AoA)

The Agreement on Agriculture (AoA) which came into effect at the beginning of 1995 basically provides that most of the Third World countries will have to reduce domestic subsidies to farmers, remove non-tariff controls on agricultural products by converting them to tariffs which will be progressively reduced.

Imbalances in the agreement

The AoA contains several types of imbalances that are favourable to developed countries and unfavourable to developing countries. These imbalances have been analysed by Das (1998) and in Third World Network (TWN 2001).

The essence of the imbalances is the following: "The WTO Agreement on Agriculture has permitted the developed countries to increase their domestic subsidies (instead of reducing them), substantially continue with their export subsidies and provide special protection to their farmers in times of increased imports and diminished domestic prices. The developing countries, on the other hand, cannot use domestic subsidies beyond a *de minimis* level (except for very limited purposes), export subsidies and the special protection measures for their farmers. In essence, developed countries are allowed to continue with the distortion of agriculture trade to a substantial extent and even to enhance the distortion; whereas developing countries that had not been engaging in such distortion are not allowed the use of subsidies (except in a limited way) and special protection" (TWN 2001).

The main form of unfairness is in the area of domestic support. Developed countries with high levels of domestic subsidies are allowed to continue these up to 80 per cent after the six-year period. In contrast, most developing countries (with a very few exceptions) have had little or no subsidies due to their lack of resources. They are now prohibited from having subsidies beyond the *de minimis* level (10 per cent of total agriculture value), except in a limited way. In addition, many types of domestic subsidy have been exempted from reduction, most of which are used by the developed countries. While these countries reduced their reducible subsidies to 80 per cent, they at the same time raised the exempted subsidies substantially. The result is that total domestic subsidies in developed countries are now much higher compared to the base level in 1986-88. Thus, in the EEC, the subsidy in the base period 1986-88 was US$83 billion, and it was increased to US$95 billion in 1996. In the United States, the corresponding levels are US$50 billion and US$58 billion. The professed reason for exempting these subsidies in the developed countries from reduction is that they do not distort trade. However, such subsidies clearly enable the farmers to sell their products at lower prices than would have been possible without the subsidy. They are therefore trade-distorting in effect.

The exemption from reduction applicable to developing countries is limited to four items: input subsidy given to poor farmers; land improvement subsidy; diversion of land from production of illicit narcotic crops; and provision of food subsidy to the poor. The scope is very limited and hardly half a dozen of the developing countries uses these subsidies (Das 2000, 1998). Furthermore, subsidies exempted from reduction and used mostly by developed countries (Annex 2 subsidies) are immune from counteraction in the WTO; they cannot be subjected to the countervailing-duty process or the normal dispute settlement process. But those exempted from reduction and used by developing countries do not have such immunity.

With regard to export subsidies, the developed countries get to retain 64 per cent of their budget allocations and 79 per cent of their subsidy coverage after six years. The developing countries, on the other hand, had generally not been using export subsidies, except in a very few cases. Those that have not used them are now prohibited from using them, whilst those that have subsidies of little value have also to reduce the level.

This inequity and imbalance appear aggravated when one considers the limitation to the use of the general safeguard provision (in GATT) in the agriculture sector. One necessary requirement for taking a general safeguard measure is that there be injury (or threat thereof) to domestic production, which will be extremely difficult to demonstrate in this sector because of the large dispersal of farmers across the country.

Apart from these specific problems in the areas of subsidy and protection, there is a basic problem with the agreement. The AoA is based on the assumption that production and trade in this sector should be conducted on a commercial basis. But agriculture in most of the developing countries is not a commercial operation, but instead is carried out largely on small farms and household farms. Most farmers take to agriculture not because it is commercially viable, but because the land has been in possession of the family for generations and there is no other source of livelihood. If such farmers are asked to face international competition, they will almost certainly lose out. This will result in large-scale unemployment and collapse of the rural economy, which is almost entirely based on agriculture in a large number of developing countries (TWN 2001).

Multilateral Trade vs. Economic integration

Regional integration in Africa is anchored primarily on trade, any process, which impedes both intra and extra-regional trade constitute an obstacle to integration and trade development in the sub-region (Alaba, 2006). Regional integration process has been a subject of concern within and beyond the sub-region of Africa itself. Despite all the efforts put into integration of OAU economies, trend intra-regional trade in Africa remains very low.

It is mandated by the WTO regime that tariff reductions agreed on by any two nations should be extended to all other members, though this international approach might be seen to encourage a gradual easing of tariffs throughout the world, the regional trading agreement approach via regional trading blocs or schemes is a recommended and viable way to succeed in economic growth and development with exception of FTAs and Customs Unions. FTAs should be considered as the foundation for multilateral trading and not the other way around.

Regional integration affects the progress of multilateral trade liberalization in several ways; it alters internal incentives for trade liberalization, it affects the way in which members of regional groupings interact and it changes interactions between regional groupings and the rest of the world.

Below is the table of trade relationship between countries in West Africa from 2018-2019.

Summary of intra-Africa trade from 2018-2019

	Burkina Faso		Cape Verde		Ivory Coast		Nigeria		Benin		Senegal		Togo	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Intra-Africa trade	12%	26%	1%	2%	23%	23%	20%	7%	21%	25%	43%	13%	72%	20%
Intra-Africa excluding trade with ECOWAS	4%	16%	30%	55%	24%	26%	43%	80%	33%	29%	12%	37%	4%	27%

	Malawi		Mauritius		Seychelles		Zambia		Zimbabwe		Madagascar	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Intra-Africa trade	36%	27%	24%	13%	3%	9%	23%	46%	62%	48%	8%	12%
Intra-Africa excluding trade with ECOWAS & SADC	2%	1%	1%	3%	15%	1%	0,3%	0,3%	0,002%	0,5%	14%	2%

	Botswana		Eswatini		Namibia		South Africa	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Intra-Africa trade	14%	69%	92%	77%	37%	66%	27%	12%
Intra-Africa excluding trade with SACU & SADC	0,4%	0,2%	12%	0,5%	2%	1%	12%	44%

	Burundi		Kenya	
	Exports	Imports	Exports	Imports
Intra-Africa trade	27%	27%	37%	13%
Intra-Africa excluding trade with EAC & COMESA	2%	15%	6%	34%

	Mauritania		São Tomé & Principle	
	Exports	Imports	Exports	Imports
Intra-Africa excluding trade with EAC & COMESA	2%	15%	6%	34%

	Comoros	
	Exports	Imports
Intra-Africa trade	12%	10%
Intra-Africa excluding trade with COMESA	14%	46%

	Egypt	
	Exports	Imports
Intra-Africa trade	16%	3%
Intra-Africa excluding trade with AGADIR, PAFTA & COMESA	14%	9%

	Mozambique	
	Exports	Imports
Intra-Africa trade	24%	32%
Intra-Africa excluding trade with SADC	2%	2%

	Morocco	
	Exports	Imports
Intra-Africa trade	8%	4%
Intra-Africa excluding trade with AGADIR & PAFTA	81%	22%

	Congo	
	Exports	Imports
Intra-Africa trade	5%	26%
Intra-Africa excluding trade with CEMAC	53%	78%

Source: Trade law centre 2019

Analysis

From the table above we can see that Intra-Africa trade for 2019 was valued at US$69 billion; 5 per cent less than in 2018 with data from 26 of the 55 African countries). In both 2018 and 2019 intra-Africa trade accounted for 15 per cent of Africa's total trade (trade law centre, 2020). Over the last ten years intra-Africa trade has remained low; the highest was recorded in 2015 and 2016 with 19 per cent and 20 per cent of total trade (trade law centre, 2020). Most intra-Africa trade is among countries which are members of the same regional economic community (REC). The regional trade policy is developed along the lines of boosting exports to member states as well as to the rest of the world. Imports into the region are therefore seen as complimentary to the exports of goods and services.

External trade of ECOWAS is dominated by a number of products and generates local value added due to the preponderance of fuels coming from extractive industries. This represent three-quarters (75%) of exports (excluding re-exports) and are provided mainly by Nigerians (73%). Cocoa and cocoa food preparations (5% of exports), precious stone (3%) and secondarily cotton, edible fruit, rubber, plastics, wood and wood products, fish and shellfish (about 1% each), form together with fuel, the major export products of the West African Economic Community.

To some extent, trade in services which ought to promote growth in West Africa is hampered by institutional, regulatory and infrastructural constraints. Trade openness fostered by the development of South-South trade shows substantial breakdown of Asian Countries and those of Oceania, capturing 16% of exports, with 0.3% for the near and middle east. These exports are dominated by Nigeria and Ivory Coast that carry between them, 87% of these transactions. Nigeria provides 77% of regional exports and Cote d'Ivoire 10% for their part, Ghana and Senegal are placed third and fourth with 4% and 2% respectively. Five countries (Benin, Burkina Faso, Guinea, Niger and Togo) carry each 1% of regional exports.

As for regional imports, they are dominated by about ten products. Fuel still hold a leading position in this list. They represent 24% of total imports. They are followed by motor vehicles, tractors, cycles and other vehicles (2^{nd} place), machinery, mechanical appliances and boilers (3^{rd}), machinery and electrical appliances (4^{th}), cereals (5^{th}), plastics (6^{th}), works in iron, iron and steel (7th), iron, cast, iron, steel (8th), pharmaceuticals (9th) and fish and fish food (10th). As for the exports, Nigeria appears here also in a dominant position by making alone 41% of transactions against 18% in Ghana, 10% each for Senegal and cote d'Ivoire. Nigeria and Ghana together perform 59% of the community import against 36% for the eight countries of the West African Economic and Monetary Union (WAEMU). The other five countries of the ECOWAS member states realize only 5% of the community imports.

However, according to UNCTAD 2019 State of regional trade in Africa are as follows

Total trade from Africa to the rest of the world averaged US$760 billion in current prices in the period 2015–2017, compared with $481 billion from Oceania, $4,109 billion from Europe, $5,140 billion from America and $6,801 billion from Asia. The share of exports from Africa to the rest of the world ranged from 80% to 90% in 2000 –2017. The only other region with a higher export dependence on the rest of the world is Oceania. Intra-African exports were 16.6% of total exports in 2017, compared with 68.1% in Europe, 59.4% in Asia, 55.0% in America and 7.0% in Oceania.

Intra-African trade, defined as the average of intra-African exports and imports, was around 2% during the period 2015–2017, while comparative figures for America, Asia, Europe and Oceania were, respectively, 47%, 61%, 67% and 7%.

Since 2008, Africa, along with Asia, is the only region with a rising trend in intraregional trade.

The above documentary analysis shows that an intra-regional trade among African States is very low. They trade mainly with industrialized countries of the world like China, USA etc. It can also been seen that the African states supplies raw materials/primary goods to these industrialized countries which they process and return back to the African nations which make them to lack the diversification needed for intra-regional trade .Therefore based on the data analysis, trade liberalization policy of African states in line with trade policies of WTO policies has not strengthen intra-regional trade in Africa from 2011- 2020 was not supported

Conclusion

The study examined the link between World trade organization and the challenges of regional integration in West Africa from 2011 –2020. it examines whether trade liberalization policy of African states in line with WTO policies has not strengthen intra-regional trade in west Africa between 2011 – 2020

However, bearing in mind the challenges faced by developing countries, particularly in West Africa, several conclusions can be drawn from the empirical study. They uniformly agreed that trade liberation policy under WTO has not achieved its stated objective. They are of the opinion that WTO continues to employ various strategies to facilitate global trade liberalization in such a manner that is detrimental to African countries (West Africa inclusive)

So, Africans should look beyond trade liberalization as a means of survival but should look towards diversification of their economy, sound economic policies; good governance and modern infrastructure as a means of developing their economies and reducing poverty in the region. The WTO has to support regional integration and lay to rest the fear that regionalism would replace multilateralism.

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