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GLOBALISATION AND THE CHALLENGES OF REGIONAL INTEGRATION IN WEST AFRICA, 1990 – 2006

TITLE PAGE

GLOBALISATION AND THE CHALLENGES OF REGIONAL INTEGRATION IN WEST AFRICA, 1990 – 2006

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A PROJECT REPORT SUBMITTED TO THE DEPARTMENT OF POLITICAL SCIENCE, UNIVERSITY OF NIGERIA, NSUKKA, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (M.Sc) DEGREE IN POLITICAL SCIENCE (POLITICAL ECONOMY)

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DEDICATION

To the family of Mr. and Mrs. Francis Okoli, for their support and encouragement.

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ABSTRACT

Globlisation is a multi-dimensional phenomenon with risks and opportunities for States of the world that have been inextricably linked in a complex and interdependent relationship. In order to mitigate the risks and maximize the opportunities, States have resorted to regional integration, hence regional integration is ubiquitous. This study is a modest contribution to knowledge, it interrogated and transcended the orthodox perspective that globalization benefits all States. To this end, we interrogated the following questions: Is there any link between trade liberalization and diminishing level of intra-regional trade in West Africa? Has liberalization of global finance impacted negatively on the strategies and mechanisms of monetary cooperation and integration in West Africa? Does liberalization of investment practices enhance the inflow of FDI into the West African sub-region? To answer our questions, we hypothesized as follows: There is a strong link between trade liberalization and the diminishing level of intra-regional trade in West Africa; Liberalisation of global finance tends to impact negatively on the strategies and mechanisms of monetary cooperation in West Africa; Liberalisation of investment practices tends to undermine the inflow of FDI into the West African sub-region. The study is divided into five chapters, chapter one dealt with the introduction and other conventional research procedures; chapter two investigated the link between trade liberalization and diminishing intra-regional trade in West Africa; in the third chapter, we assessed the impact of liberalization of global finance on the strategies and mechanisms of monetary cooperation in West Africa; the fourth chapter examined how liberalization of investment practices undermines the inflow of Foreign Direct Investment (FDI) into the West African sub-region while the fifth chapter dwelt on the conclusion and recommendations. We predicated our analysis on the theory of complex interdependence and found as follows: a priori, trade liberalization as anchored on the neoliberal framework provided by WTO only engenders vertical integration of West African countries into the global economy and leads to diminishing intra-regional trade in West Africa; that liberalization of global finance as an aspect of globalization undermines the autonomy of West African States in financial/monetary policy making and thus vitiates the efficacy of the mechanisms and strategies of monetary cooperation in West Africa; we observed that liberalization of investment practices has led to the metamorphosis of investment climate such that the contemporary investment climate leads to the marginalization of the sub-region in the flow of FDI, this impacts negatively on economic activities in West Africa and also undermines integration in the sub-region. The theoretical and empirical evidence presented not only validated our hypotheses but underscores the fact that globalization undermines sub-regional integration in West Africa. We recommended that although integration is not an elixir, West African countries should pursue it with vigour in order to be relevant in the contemporary global economy.

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LIST OF ABBREVIATIONS

ACP: African, Caribbean and Pacific
ASEAN: Association of South East Asian Nations
CET: Common External Tariff
CFA: *le fran des colonies Francaises d'Afrique*
ECOWAS: Economic Community of West African States
EMCP: ECOWAS Monetary Cooperation Programme
EPA: Economic Partnership Agreement
EU: European Union
FDI: Foreign Direct Investment
GATT: General Agreement on Tariff and Trade
GDP: Gross Domestic Product
IFIs: International Financial Institutions
IMF: International Monetary Fund
LDC: Less Developed Countries
MFN: Most Favoured Nation
MNCs: Multinational Corporations
MRU: Mano River Union
NAFTA: North American Free Trade Agreement
NTBs: Non-Tariff Barriers
OCA: Optimum Currency Area
OECD: Organisation for Economic Co-operation and Development
SAP: Structural Adjustment Programme
TNCs: Transnational Corporations
TRIMs: Trade-Related Investment Measures
TRIPs: Trade-Related Aspects of Intellectual Property Rights
UEMOA: West African Economic and Monetary Union
WACB: West African Currency Board
WACH: West African Clearing House
WAEMU: West African Economic and Monetary Union
WAMA: West African Monetary Agency

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WAMI:	West African Monetary Institute
WAMZ:	West African Monetary Zone
WTO:	World Trade organization

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CHAPTER ONE

1.1 INTRODUCTION

The expansionary nature of capitalism has led to its universalisation and the consequent integration of all economies of the world – a phenomenon known as globalization.

Thus, globalization is an inevitable outcome of capitalist expansion, it is a process that has existed and predated human history. As noted by Okolie, (2006:1):

> *… beginning from the chiefdom, empire and feudal epochs, to the present political and economic order, globalization and its associated checklists had remained and persisted but continued to change in content and substance in line with changing pattern and character of the existing predominant mode of production.*

It is however, pertinent to see globalization as a process that became intensified as a result of global politico-economic metamorphoses that occurred in the 1980s. Particularly, the neo-liberal ideological prescription of Reagan/Thatcher revolution rooted on privatization, liberalization and deregulation. This was further aggravated by the collapse of the "socialist" bloc and the concomitant de-ideologisation all of which stimulated the pervasive networks of capitalism (see Okolie, 2007: 3-4).

Contemporary globalization is therefore, a multi-dimensional phenomenon which entails the removal and dismantling of all forms of barriers to the free and unfettered movement of goods, services, international investment and capital. It is a process that brings about the integration of national economies into the global economy involving increasing volume of transnational capital flows and through rapid and wide-spread diffusion of technology (See Okolie 2006:72; Khor 2001:2; Garcia 1998:96; Iglesias 1997:2; Reich 1998:6 etc).

It is equally germane to note that the major facets of globalization remains liberalization of trade, investment and finance (Khor 2001:1; Ohiorhenuan 1998:6; Okolie 2007:7 etc). Meanwhile, globalization is a phenomenon that has widespread impacts (both negative and positive) on countries of the world. Thus, capitalizing on its

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benefits while mitigating its risks remains the most important challenge to countries of the world.

Regional integration has been adopted as the most viable strategic response to the challenges of globalization. As a result, regional integration is ubiquitous as there have been proliferation and strengthening of various regional and sub-regional groupings in various regional and sub-regional groupings in various parts of the globe: the European Union (EU) in Europe; the Association of South East Asian Nations (ASEAN) in Asia; the North American Free Trade Agreement (NAFTA) in America; MERCOSUR in Latin America; only to mention a few.

Despite efforts made in West Africa to integrate countries of the sub-region and form a formidable regional bloc, not much success have been achieved. Intra-regional trade among West African countries is still minimal while most West African countries still trade more with Europe and America than with West African countries. Again, monetary cooperation and integration remains a big hurdle in the sub-region while the flow of foreign direct investment (FDI) has continued to decline, the region continues to experience massive de-industrialisation.

Essentially, globalization is antithetical to regional integration, this is because the inextricable complex interdependent world engendered by globalization serves as a centripetal force which engenders vertical integration of the economies of West Africa to the global economy and undermines any effort to integrate at the sub-regional level.

It is against this background that we shall explicate the challenges posed by globalization to regional integration in West Africa. Specifically, we shall analyze globalization as a multi-dimensional phenomenon and interrogate the mechanisms through which these major facets of globalization (trade, finance and investment liberalization) impinges on regional integration in West Africa within the period 1990 to 2006.

Again, we shall argue that contemporary global economy is an inextricable one, as such "delinking" is not a practical option. This makes integration the last resort, West African countries must integrate in such a way to maximize the benefits of globalization despite the challenges it poses to their integration at the regional level. Thus, the

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challenges of globalization and its implication for regional integration in West Africa shall constitute the central thrust of this study.

1.2 STATEMENT OF PROBLEM

In order to mitigate the risks of globalization and exploit its benefits, most nations have resorted to the formation of regional blocs. Thus, regional integration is ubiquitous and have been seen as a veritable strategy for reducing the impacts of globalization (Brown, 1998:81; Oruebor & Ezeanyika, 2001:157; Janowski, 2006:61; Nnanna 2006:9 etc).

Efforts have been made in Africa to integrate both at regional and sub-regional levels, however, not much success have been achieved especially in West Africa. Globalisation is a multi-faceted phenomenon which impacts on regional integration in a variegated way. The major facets of globalization are financial, trade and investment liberalization (Khor, 2001:2; Okolie, 2007:7). Each of these facets pose serious challenge to integration in West Africa. While trade liberalization impinges on intra-regional trade, financial liberalization undermines monetary cooperation and integration in West Africa, and liberalization of investment impacts negatively on the flow of foreign direct investment (FDI) in the sub-region.

Thus, intra-regional trade among West African countries is not just minimal but have continued to decline (World Bank 2006; Oyejide 2004; Ouya 2003 etc); monetary cooperation and integration within the sub-region is far from being attained, while flow of foreign direct investment (FDI) to the sub-region has continued to decline.

Although, considerable attention have been directed to the study of the challenges posed to regional integration by globalization, existing studies only gloss over the issue without analytically examining how the different facets of globalization impacts on integration in West Africa. Further, most studies tend to only explain how globalization engenders specialization of African economies in primary commodity production, and how these economies have been vertically integrated into the global economy (See Oyejide 1998; Onuoha 2004 etc). Conscious effort has not been made to explicate the mechanisms through which globalization undermines regional integration especially how

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the major forces of globalization (trade, investment and financial liberalization) undermines regional integration in West Africa.

Generally, little is know on how the various facets of globalization undermines intra-regional trade in West Africa, their impact on the mechanisms and strategies of monetary cooperation and integration is still vague while the impact of these facets of globalization on the flow of Foreign Direct Investment (FDI) in the region, and how this in turn impinges on the intensity of integration in West Africa have not been systematically articulated.

It is against this backdrop that rigorous effort is made in this study to analytically explicate the challenges posed to regional integration in West Africa by the various facets of globalization. Specifically, this study shall attempt to interrogate the questions stated below:

1. Is there any link between trade liberalization and diminishing level of intra-regional trade in West Africa?
2. Has liberalization of global finance impacted positively on the strategies and mechanisms of monetary cooperation and integration in West Africa?
3. Does liberalizations of investment practices enhance the inflow of Foreign Direct Investment (FDI) into the West African sub-region?

1.3 OBJECTIVES OF THE STUDY

The relationship between globalization and regional integration has generated intense intellectual debate. The general objective of this study is to systematically explicate the challenges of globalization to regional integration in West Africa between 1990 to 2006. The specific objectives of this study are:

1. to explore the link between trade liberalization and diminishing level of intra-regional trade in West Africa?
2. to assess the impact of liberalization of global finance on the strategies and mechanisms of monetary cooperation and integration in West Africa
3. to examine how liberalization of investment practices undermines the inflow of Foreign Direct Investment (FDI) into the West African sub-region.

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1.4 SIGNIFICANCE OF THE STUDY

This study is practically and theoretically significant because it will add value to existing knowledge and aid in solving practical societal problem, in this case, the problem of regional integration in West Africa in the era of globalization.

Transcending the simplistic explanation of the relationship between globalization and regional integration, the study will explicate and facilitate the understanding of the mechanisms through which globalization undermines regional integration but still makes it expedient especially in West Africa. Thus, this study underscores the necessity for appreciating and intensifying regional integration in West Africa.

Essentially, this study is a *sine-qua-non* because it will add value to the existing literature and ipso facto fill the gap in knowledge. Again, not only will the study be an indispensable piece for political pundits and the academia, it will also serve as a convenient starting point for further inquiry in the field of political science. Furthermore, the study will open up new vistas in the intellectual debate and provoke further academic excursion especially in the areas of globalization and regional integration.

A study such as this, is therefore a desideratum and is believed to have served its purpose if it succeeds in systematically explicating issues and is able to stimulate further academic discourse.

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1.5 LITERATURE REVIEW

There is an avalanche of literature relating to issues of globalization and sub-regional integration. However, the aim of this review is to examine studies carried out by other scholars with respect to the following research questions raised in the study, viz: is there any link between trade liberalization and diminishing level of intra-regional trade in West Africa?; has liberalization of global finance impacted positively on the strategies and mechanisms of monetary cooperation and integration in West Africa?; Does liberalization of investment practices enhance the inflow of FDI into the West African sub-region?, with a view to discovering the *lacuna* in the existing literature.

Based on this, we shall review the literature under three (3) sub-headings each dealing with each of the questions raised in the research.

1.5.1 TRADE LIBERALISATION AND INTRA-REGIONAL TRADE IN WEST AFRICA

Regional integration in West Africa is anchored primarily on trade, any process which impedes both extra and intra-regional trade constitute an obstacle to integration in the sub-region (Alaba, 1998:8). In this light, a lot of studies have tried to examine factors that impinge on intra-regional trade in West Africa especially how trade liberalization, engendered by globalization undermines intra-regional trade in West Africa. However, most of the studies only present a vague analysis without actually establishing a link between trade liberalization and diminishing intra-regional trade in West Africa.

World Bank (2006) argued that trade among West African countries is only a small fraction of their total external trade. In 2004 alone, the total amount of merchandise exported by member countries to other member countries was about 8.6 percent of their total exports and 9.1 percent of their total imports. It argued that even at that, the figure for total exports from West African countries is heavily biased by the importance of Nigeria's total exports of which oil represents close to 98%. Thus, Nigeria's oil exports to other West African countries accounts for large part of intra-regional trade. The paper argued that eliminating oil trade from total imports by member countries would reduce the ratio of intra-regional trade to total imports to a low 5.7 percent. Page and Bilal (2001) opposed this view, using ECOWAS as an institutional framework, they opined that there has been an increase in intra-regional trade within ECOWAS as several members of UEMOA have increased their trade with the rest of ECOWAS, and the non-UEMOA members of ECOWAS also show an increase in trade within ECOWAS. They argued that this increase in ECOWAS trade, however, may also be explained by shifts from unrecorded to recorded trade. These studies only examined the rate of intra-regional trade without examining factors that affect increase or decrease of intra-regional trade in West Africa.

Abdoulahi (2005) examined trade liberalization vis-à-vis intra-regional trade in West Africa and argued that trade liberalization is a reform measure adumbrated in the structural adjustment programmes financed by Bretton Woods institutions under which countries pursue trade reform measures relating to the liberalization of imports and

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currency regimes as well as the reduction of tariff and non-tariff barriers. He argued that although, African countries have liberalized trade, intra-ECOWAS trade is still low consisting of only 10% of total exports. He further argued that despite the importance attached to bolstering intra-regional trade and the many institutional mechanisms put in place with a view to improving intra-regional trade, the share of intra-regional trade has remained modest with export mostly targeted to the European, Asian and North American markets. In the same vein, Oyejide (2004) examined trade liberalization and regional integration in Africa and argued that an assessment of the performance of most African regional integration reveals *inter alia* that intra-regional trade as a proportion of total trade is quite low and that trade performance (measured by changes in trade/GDP ratio) of the "integrated" areas worsened significantly. He saw trade liberalization as a policy objective of structural adjustment programme which is an outward-oriented trade policy that brings about closer integration of African countries into the world economy. Based on this, he argued that the unilateral trade liberalization measures taken by individual countries under SAP effectively reduces the degree of preferences enjoyed by her regional partners because these measures does not take cognizance of any obligation to regional partners. WAMA (1998) corroborates this view and argued that trade liberalization as pursued under SAP objectives orient the economies of West Africa countries towards the major world economies thereby making the developed capitalist countries the major trading partners of countries of the sub-region. These scholars see trade liberalization only as a policy objective of structural adjustment programme implemented by African countries, they fail to understand the contemporary trade liberalization as an inevitable aspect of globalization implemented by all countries and not necessarily only countries carrying out structural adjustment.

Some recent studies have tried to examine trade liberalization agreement between Africa and other developed capitalist countries, and its implication for African trade. In this light, Alaba (2006) examined the trade liberalization agreement established between the EU and the 77 Africa, Caribbean and Pacific (ACP) countries under the Yaunde and the Lome IV conventions in which EU offered market access to West African exports. He posits that despite this arrangement, the magnitude of intra-ECOWAS trade compared with the rest of the world remains very minimal as intra-community trade with the West

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African sub-region remains far less than 15 percent. He went further to show that intra-community trade in West Africa in terms of exports and imports within the sub-region shows dismal performance between 1996 – 2001, and on the average, intra-community trade is only about 11 percent of total trade of the sub-region. He advocated the need for West African countries to acquire the necessary capacity and competitive clout before facing the competition with EU countries under the trade liberalization agreement.

Similarly, Hebebrand (2007) examined the trade liberalization between EU and ACP as facilitated by the Cotonou Agreement in 2000 and the various Economic Partnership Agreement (EPA) negotiations. He argued that trade liberalization under these agreements grant market access to ACP countries into the EU market as around 98% of ACP exports to the EU already come in duty free. He recognised that intra-regional trade in Africa have been very low, but argued that the trade liberalization between ACP and EU would increase and foster intra-regional trade in Africa because the EPAs are being negotiated between EU and regional groupings of the ACP countries. Conversely, Ndirangu (2007) opposing this view argued that the broad liberalization of trade with the EU has an adverse effect on intra-regional trade of ACP countries (especially West Africa). According to him, the entry of EU goods into ACP countries on more favourable terms has raised concerns that the more efficient EU firms and subsidized agricultural goods will out-compete local enterprises involved in value-added production, thus limiting the benefits of regional integration to individual countries. Again, the isolation of members of the same regional trading blocs forced to negotiate under different EPA configurations creates the risk of members of one regional bloc committing to different tariffs and trade liberalization measures from those agreed upon under regional blocs. This situation according to him is replicated in West Africa, where the ECA estimates that ECOWAS countries could lose trade worth 365 million dollars to EU competitors.

These scholars merely analyze trade liberalization as facilitated by the EU-ACP agreements and not as one of the major thrusts of globalization. More so, their analysis were confined to the trade relations between EU and ACP countries and not the global free trade brought about by trade liberalization. Thus, such analysis cannot give detailed

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understanding of the implications of trade liberalization as an aspect of globalization for intra-regional trade.

A number of other studies have tried to situate trade liberalization within the context of contemporary globalization and its implications for intra-regional trade. In view of this, Okolie (2007) posits that trade liberalization suggests unfettered movement of goods across global boundaries. It involves dismantling territorial boundaries and removal of tariffs for free movement of goods and for trade to take place under the regulatory framework of the World Trade Organization (WTO). Ouya (2003) recognized trade liberalization as one of the major thrusts of globalization which engenders international specialization. Using West and Central Africa as examples, she argued that regional integration in the context of trade liberalization has suffered many set-backs, one of which is the fact that non-complementary nature of production structures hinders tariff reduction among member countries. Again, the vertical integration of African economies into the Northern Hemisphere via globalization makes African countries dependent and devoted to the export of raw materials, this hinders industrialization and thereby impedes exchange of goods within the region. Accordingly, Ozor (2006) avers that trade liberalization has brought about decline in Africa's volume and terms of trade in the world market because of the specialization of the region in primary commodities.

According to Iglesias (1997), multilateral trade liberalization is one of the key thrusts of globalization. Trade liberalization in the framework of the WTO permits countries easy access to the global market for its export. Based on this, he argued that liberalization of trade has brought about an accelerated increase in international trade. The question he posed is whether regionalism is detrimental to globalization. He therefore, sees intra-regional trade as a vehicle that enhances global trade. Despite his effort, he failed to examine how trade liberalization undermines intra-regional trade through the specialization and vertical integration it engenders, he rather sees intra-regional trade as a factor that stimulates global trade.

In his view, Oyejide (1998) posits that trade liberalization has intensified the international specialization of Africa in production of primary commodities and has also led to the drastic decline in the demand of these commodities because of the competition from new and relatively more efficient producers in Asia and Latin America. In the same

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vein, Sandrey, Matlanyane & Maleleka (2006) examined the impacts of trade liberalization on Southern African Customs Unions (SACU) and argued that trade liberalization greatly reduce the tariff revenue accruable to countries of a region. Though these scholars were able to explain how trade liberalization engenders international specialization and reduces revenue derivable from tariff, they failed to show how these impediments impinges on regional integration.

ECA (1997) sees trade liberalization as a policy option of structural adjustment programme which impinges on the degree to which member states adhere to rules of intra-regional trade liberalization within the West African sub-region.

Apparently, there is corpus of literature dealing with trade liberalization and intra-regional trade. However, these literature have not been able to systematically explain how trade liberalization as a thrust of contemporary globalization impedes intra-regional trade in West Africa. Thus, the question on whether trade liberalization undermines intra-regional trade in West Africa still remains unanswered in the existing literature.

1.5.2 LIBERALISATION OF GLOBAL FINANCE AND MONETARY INTEGRATION/COOPERATION IN WEST AFRICA

Modest efforts have been made by various scholars to understand how financial liberalization as an aspect of contemporary globalization impacts on the strategies and mechanisms of monetary cooperation and integration in West Africa.

Khor (2001) opined that financial liberalization is the most pronounced aspect of globalization. He argued that in the light of financial liberalization, financial markets have been deregulated and integrated globally, national governments now have to implement policies that are in line with the decisions and rules of international financial institutions. More so, financial liberalization has brought about the opening up to international capital flows which brings about debt crisis in developing countries, this in turns forces debtor countries to adopt structural adjustment programmes which further engenders liberalization and deregulation of the financial sectors.

Similarly, Ghosh (2005) saw financial liberalization as measures directed at diluting or dismantling regulatory control over the institutional structures, instruments and activities of agents in different segments of the financial sector, it involves the

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withdrawal of the state from the activity of financial intermediation. According to him, financial liberalization brings about high degree of centralization which has concentrated financial activity and decision making in few economic organizations and also integrated areas of financial activity earlier separated from one another. Based on this, he argued that financial liberalization tries to promote the interest of international finance over domestic policies of developing countries. The implication of his analysis is that with the centralization of financial decisions and with the dominance of the interests of international financial institutions, developing countries (including West Africa) cannot make independent policies to harmonize their finance, rather, we see vertical integration into the international financial institutions.

In his hew Patnaik (1999, cited in Okolie 2007) succinctly remarks that:

> *The essence of financial liberalization consists in three sets of measures: first, to open up a country to the free flow of international finance; secondly, to remove controls and restrictions on the functioning of domestic banks and other financial institutions so that they properly integrate as participants in the world financial markets; and thirdly, to promote autonomy from the government to the Central Bank so that its supervisory and regulatory role vis-à-vis the banking sector is dissociated from the political process of the country and hence from any accountability to the people.*

In this connection, Wei *et al* (2007) observed that the recent wave of financial globalization involves the liberalization of capital controls i.e. the removal and lessening of domestic controls and policies on the flow of finance. Although they argue that financial liberalization holds a lot of benefits for the liberalizing countries especially developing economies, however they presented certain conditions that must be met before any nation can reap these benefits.

Amadou (2006) in his view posits that integration may involve restrictions to cross-border financial operations by firms from countries in the same region, as well as harmonizing rules, taxes and regulations between the member countries. He argued that a region is considered financially integrated if all potential market participants have the following characteristics:

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(i) equal access to a set of financial instruments and/or services

(ii) face a single set of rules when they decide to deal with those financial instruments and/or services

(iii) are treated equally when they are active in the market.

Based on the above, he argued that financial integration in CFA franc zone is advanced when it comes to market participants facing a single set of rules. He failed to understand that although the CFA franc zone face a single set of rules, such rules are decided and imposed on them by France. Thus, the financial integration/cooperation in the zone may not meet the aspirations of the member states, again, the existence of the CFA franc zone has been a thorn in the flesh of West Africa in terms of monetary integration in the sub-region.

Park and Bae (2002) used the East-Asian experience to examine the impact of financial liberalization on regional monetary integration and cooperation. They argued that financial liberalization does not strengthen financial and monetary linkages at the regional level, rather, financial liberalization leads to global financial integration. This is because, according to their analysis, developing economies cannot, in the face of financial liberalization harmonize their monetary systems and policies or achieve corporate governance at the regional level. This lack of cooperation in the harmonization of legal and regulatory systems, and standard setting has been by far the most important cause of the slow progress in financial integration at the regional level.

Similarly, WAMA (1998) cited in Uche (2001) argued that the liberalization of finance as a policy objective pursued by SAP, though quite compatible with those of the monetary cooperation programme in the sub-region tends to vertically integrate the countries of the region instead of achieving integration at the sub-regional level. This analysis seems to be contradictory to itself for arguing that financial liberalization tends to encourage regional monetary integration and at the same time engenders vertical monetary integration.

In his argument, Uche (2001) argues that the progress made so far in monetary integration in the West African sub-region has been externally induced mainly from the IMF imposed Economic Adjustment Programs and unfortunately, regional monetary

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integration is not the objective of such IMF imposed programmes. Again, it is difficult to see how monetary integration will be possible in the sub-region since there is clearly no hegemonial power within the region to subsidize the process, more so, there is no incentive for the francophone West African countries to forfeit the benefits of their relationship with France since the emergence of the European Monetary Union will further enhance these benefits. Based on this, he sees no prospect of evolving a monetary union in West Africa.

Ojo (2003) reviewed developments in monetary cooperation in West Africa and argued that despite the efforts made at eventually paving the way for the emergence of a single monetary zone in the West African sub-region which includes inter alia, the adoption of the West African Monetary Agency (WAMA) in 1996, several factors have constrained the effort at achieving a single monetary zone. Such factors according to him include delays in crediting exporters account; the absence of a short-term financing facility etc. He concluded that given the existence of political will and the continuous application of necessary adjustments, single monetary zone is achievable. In the same vein, WAMI (2001) attributed the major obstacles to monetary cooperation in West Africa as the lack of political will and leadership to implement the policies and actions aimed at the creation of a common currency. This lack of commitment it argues resulted in several extensions of the dates for implementation of major aspects of the programme. in addition, the creation of the UEMOA (West African Economic & Monetary Union) by the countries of CFA zone in 1994 has also hindered the advancement of monetary integration in West Africa.

Page and Bilal (2001) argued that there are high costs of conversion and financial transactions in West Africa especially in the non-UEMOA states (and between them the UEMOA). Although, the non-UEMOA countries began the process of trying to establish a separate currency zone to be completed by 2003 and merged with the UEMOA, but at present most of the countries are not meeting the necessary requirements. Most of these studies only dwelt on the internal impediments to the mechanisms and strategies of monetary cooperation in the West African sub-region without looking at how factors like financial liberalization has engendered the local impediments to sub-regional monetary

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cooperation. These 'internalists' therefore only focused on internal barriers to sub-regional monetary cooperation and integration.

Ebil (2003) joins in such analysis and argued that the most daunting challenge of monetary cooperation in West Africa is the inability to forge meaningful cooperation between the CFA Franc zone and the rest members of the sub-region. However, he was optimistic that the formation of the second monetary zone in the region holds great promise for a complete monetary cooperation and integration in the sub-region.

In his own view, Cooper (2006) provided an analytic evidence to argue that institutional experience plays a key role in understanding observed pattern of regional monetary cooperation. According to him, colonial and post-colonial monetary institutions imposed on African countries tends to impact on the success or otherwise of regional monetary cooperation and integration. Based on this, he further argued that financial ties with France have a significant negative relationship to regional monetary cooperation in West Africa.

Taking a different analytic standpoint, Nnanna (2006) used the Optimum Currency Area (OCA) theory to examine the progress in monetary integration in West Africa. He argued that the countries of the sub-region does not meet the necessary requirement for monetary union as adumbrated in the OCA theory. He further opined that although two monetary unions – the West African Economic and Monetary zone (UEMOA) and the West African Monetary Zone (WAMZ) – have been formed with the aim of merging the two zones into a single monetary zone. On the whole the progress of monetary integration has been poor.

In this connection, Uche (2002) opined that only very little progress has been made with respect to achieving monetary and financial integration in West Africa. He argued that the plan to strengthen the two existing monetary zones in the subregion – WAMZ and UEMOA – and then form a single monetary union by merging the two monetary zones, is bound to fail because most countries of the sub-region do not meet the necessary criteria for forming a single monetary zone. According to him, financial integration is more advanced in the francophone West African countries where France acts as an agency of restraint than in the Anglophone West African countries, this

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different rates of progress in the two existing zones complicates the possibility of forming a single monetary zone in West Africa.

From the foregoing, most of the studies have dwelt on the internal impediments to monetary cooperation and integration in West Africa. Although most other studies have tried to examine the impact of financial liberalization on in West African sub-region, no effort has been made to study the impact of financial liberalization as a major thrust of contemporary globalization, on the mechanisms and strategies of monetary integration in West Africa. Thus, the question as to how liberalization of global finance impacts on the mechanisms and strategies of monetary cooperation and integration remains unanswered in existing literature, and therefore deserve further enquiry.

1.5.3 INVESTMENT LIBERALISATION AND THE FLOW OF FOREIGN DIRECT INVESTMENT INTO WEST AFRICA

Studies have been carried out to investigate how investment liberalization have affected the flow of foreign direct investment (FDI) to different regions of the world especially Africa.

Khor (2001) submits that globalization has brought about liberalization of investment i.e. increased flow of FDI. However, he pointed out that much of the FDI is centered in only a few countries. Less Developed Countries (LDCs) in particular are receiving only very small flows of FDI, despite having liberalized their policies towards investments. Thus, FDI is insignificant as a source of external finance to most developing countries, and is likely to remain so in the next several years. He further argued that much of FDI to developing countries is not in the form of "Greenfield investment" which creates new productive assets, but consists of the purchase of existing assets, especially through privatization.

Supporting this view, Subramanian (2007) avers that globalization has intensified the flow of FDI but the fastest-growing group of non-industrial countries received most of the FDI because they have better investment environment. By implication, West Africa is marginalized in terms of FDI flows. Makola (2003) recognised that African countries have been making serious efforts to liberalise external trade in order to attract FDI but

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FDI inflow to the region has been minuscule due to certain shortcomings in Africa which has made the investment climate in the region to be very poor and unattractive.

In their view Fosso and Njinkeu (2006) attributes the poor flow of FDI to African countries, to the small and remote nature of African economies which renders African economies uncompetitive for FDI relative to other countries and regions of the world.

In the same way, Otsubo (2000) submits that globalization has brought about the relocation and integration of production process across national borders and this has been reinforced by increasing flows of private capital, especially in the form of foreign direct investment (FDI). However, he noted that the failure in African economies to create an environment conducive to the private sector in general, and to the export sector, and FDI in particular, when other regions of the developing world were working to establishing a virtuous cycle of integration and growth, explains Africa's current state of marginalization in the global economy in terms of FDI. Based on this, he argued that Africa's share in global private capital flows has not only declined, but the marginalization of the region in terms of FDI flow has accelerated.

Similarly, Dupasquier and Osakwe (2006) examined the performance, promotion and prospects for FDI in Africa and argued that the current wave of globalization sweeping through the world has intensified the competition for FDI. He identified factors such as political and macro-economic instability, low growth, weak infrastructure, poor governance, inhospitable regulatory environments, and ill-conceived investment promotion strategies as responsible for the poor FDI record in the region.

In the same vein, Ngowi (2001) avers that in this era of globalization and liberalization of investments, FDIs have been flowing to different regions of the world in different proportions. The African continent has been receiving the lowest share of global FDI inflows over time in spite of the fact that FDI is welcome and sought by the region. He argued that Africa lacks most of the FDI determinants that would attract FDI into the region. He argued that the constraints to attraction of FDI to Africa includes but are not limited to bad image of the continent in the external world, poor and costly physical infrastructures and low level of economic development.

Pigato (2001) argues that globalization is changing the strategies of multinational companies and the way developing countries compete for FDI. According to him, in his

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'globalizing' world, attracting FDI increasingly depends on the ability to provide a favourable FDI regime and competitive factors of production, the latter are the ultimate determinants of FDI. The question he raised is: is the FDI environment in sub-Saharan Africa –incentive framework and competitive factor of production – adequate to attract FDI in a globalizing world? based on his findings, he argued that the FDI environment in Africa is still inadequate to attract high quality, efficiency seeking 'globalizing' FDI.

The foregoing studies have tried to explicate reasons for the poor flow of FDI to Africa in the era of globalization, however they have all laid the blame on poor investment environment of the African region, no effort is made to explicate how investment liberalization as an aspect of globalization impinges on the flow of FDI to the region and how it further deteriorates the investment climate in the region.

In trying to explain how investment liberalization impacts on the flow of FDI, Saving (2006) used the European Union as a case study and argued that globalization exposes a region to severe competition with other regions of the world, as a result regions with more competitive economic environment attracts more FDI while those with less competitive environment experience huge outflow of FDI. Using the EU and US as examples, he argued that the U.S which has a more competitive economic environment in the globalised economy has eclipsed all EU members and therefore attracts FDI inflow from EU.

In his view, Griswold (2000) took a rather different position. According to him, Less Developed Countries that open themselves up to international investment gain access to a much higher level of technology. This according to him confers on the LDCs a "latecomers' advantage", rather than bearing the cost of expensive, upfront research and development, poor countries can import the technology off the shelf; they can incorporate new technology by importing capital equipment that embodies the latest advances and computers with the latest software; subsidiaries of Multinational Companies (MNCs) also brings with them new production techniques and employee training that bolster the host nation's stock of human capital. This study assumes that mere opening up to FDI attracts FDI into a region, it also assumes that FDI brings tremendous advantages to the LDCs, again it fails to understand the disparity even within the LDCs in terms of the distribution

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of FDI. For instance, even within the LDCs, Africa is still marginalized in terms of its share of the total FDI flow to the LDCs.

As a result, existing studies have not been able to address the question of liberalization of contemporary investment practices impacts on the flow of FDI in to the West African sub-region.

1.5.4 SUMMARY OF THE REVIEW

As stated earlier, there is an avalanche of literature on the issues of globalization and sub-regional integration. However, despite the impressive and effortful analyses contained in these literature, they have not been able to establish convincing relationship between the forces of globalization and sub-regional integration especially in West Africa. More specifically, existing studies have not been able to analyze how trade liberalization as an aspect of globalization impedes intra-regional trade in West Africa. For instance, most of the studies were able to establish that trade liberalization engenders international specialization and reduce African countries to producers of raw materials (Iglesias 1997; Oyejide 1998; Ouya 2003), efforts have not been made to explicate how this international specialization and vertical integration of African economies to the global market hinders intra-regional trade and regional integration in West Africa.

Furthermore, little is known on how liberalization of global finance as a policy thrust of globalization has impacted on the mechanisms and strategies of monetary integration and cooperation in West Africa. Though some literature aver that lack of monetary cooperation and integration is the bane of integration in West Africa, the impact of financial liberalization on the mechanisms and strategies of monetary cooperation and integration in West Africa remains vague.

Again, there has not been systematic articulation of how investment liberalization impacts on the flow of FDI in West Africa. Most scholars have concentrated their analyses on the internal constraints to the flow of FDI, some others examined the flow of FDI to Africa or Less Developed Countries (LDCs) in general, little is known on how liberalization of contemporary investment practices impacts on the flow of FDI in the West African sub-region and how this in turn impedes integration in the sub-region.

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Based on the foregoing, this review has achieved its aim of discovering the *lacuna* in the existing literature, this study therefore attempts to fill these gaps in the literature.

1.6 THEORETICAL FRAMEWORK

Today, nation states are inexorably linked by the deep interpenetration, interdependence and global integration caused by the forces of globalization. This has led to proliferation of theories and paradigms seeking to explicate the whole process of globalization. However, the focus, orientation, ideological content and empirical sensitivity of most of these studies are influenced so much by the developmental objective conditions of the researchers rather than considerations based on value-free scholarship and neutral empiricism (Okolie 2007:2).

In light of the above, most scholars from the developing countries tend to antagonize the inevitable process of globalization. They tend to predicate their analysis on the dependency paradigm which attributes the pathetic and seemingly hopeless condition of underdevelopment to exogenous factors. For instance, they blame their underdevelopment on factors like colonialism, neo-colonial and imperialistic exploitation of the Western capitalist countries and institutions like IMF and World Bank without any attempt to examine the endogenous factors which reinforces the exogenous elements. As a logical derivative of their paradigm, they suggest 'delinking' as the saviour and way out of the economic exploitation. Among the leading proponents of the dependency theory are Baran (1967), Frank (1969), Santos (1970),Offiong (1980) etc.

Conversely, the Western scholars tend to predicate their analysis on such paradigms as modernization theory. These globalists tend to give an unalloyed support to the globalization process which they argue would throw up mutual and beneficial gains.

Essentially, these opposing groups of scholars only gloss over the issues of globalization, they fail to capture the contemporary inextricable interdependence existing among nations and the concomitant implication for different regions of the world.

Based on this, we predicate our analysis on the complex interdependent theory as developed by Robert Keohane and Joseph Nye. According to them, the theory refers to the various, complex transnational connections (interdependence) between states and

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societies. Such relations, particularly economic ones were increasing, while the use of military force and power balancing were decreasing (but remained important).

It is pertinent to note that Keohane and Nye do not claim that military power is insignificant. They argue that military actions are costly and these costs have increased for a number of reasons. For example, nuclear weapons increase the costs associated with conflict. In addition, using force on one issue could have negative effects on other economic goals. Thus, relative to cost, there is no guarantee that military means will be more effective than economic ones to achieve a certain goal.

Essentially, Keohane and Nye defined complex interdependence according to three characteristics:

1. the actors are states and non-state actors with multiple channels of communication: interstate; transgovernmental and transnational;
2. the agenda of interstate relationships consists of multiple issues that are not arranged in a clear or consistent hierarchy. In other words, there are multiple issues with no hierarchy, military security does not consistently dominate the agenda;
3. military force plays a relatively minor role in international relations mainly because "it is not used by governments toward other governments within the region, or on the issues, when complex interdependence prevails". (See Iksal 2004 for details).

There is no doubt that the contemporary global order is bound to thrive on inequality and exploitation. In anticipation of these problems of inequality and exploitation, especially as raised by the realists, the theorists introduced the concept of 'regimes' to mitigate anarchy and enhance mutual cooperation (Keohane & Nye, 1987). Thus, the main actors of this era are renegotiated global regimes and other non-territorial actors such as multinational corporations, international organizations etc.

This theory is therefore, analytically germane to our study because it facilitates comprehension of the inevitable interdependence and inter-relationship among nations; it exposes the inherent inequality and lopsided benefits of this inextricable interdependence.

Based on the foregoing, we shall examine the complex interrelations among nations of the world out of which West African nations cannot 'delink'. We shall

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explicate how the exploitation and inequality inherent in the global system have necessitated the formation of regional bloc by West African countries; and how this inexorable interdependence, interpenetration and global integration of African economies by global trade, finance and investment all facilitated by international organizations like the World Trade Organisation (WTO) and the International Financial Institutions impinges on this effort to form regional bloc.

Specifically, we shall argue that it is this lopsided reward and the recognition of the "non-practicality" of 'delinking' from the interdependence that has made nations to seek ways of improving their opportunities in this complex interdependent situation through formation of regional blocs. It is equally this same centripetal interdependence that undermines regional integration and bloc formation in West Africa which tends to serve as centrifugal force that threatens global integration. The challenges posed by globalization to regional integration in West Africa are thus, better appreciated and explained in this context.

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1.7 HYPOTHESES

The following hypotheses will be investigated in this study:

1. There is a strong link between trade liberalization and diminishing level of intra-regional trade in West Africa.
2. Liberalization of global finance tends to impact negatively on the strategies and mechanisms of monetary cooperation and integration in West Africa.
3. Liberalization of investment practices tends to undermine the inflow of Foreign Direct Investment (FDI) into the West African sub-region.

1.8 METHOD OF DATA COLLECTION

The quality of any research is determined by the quality of the procedures used in data collection and analysis of data (Ofo, 1994:92). Hence, conscious and rigorous effort must be made in determining the type of data, method of data collection and analysis to be employed in any research work especially in systematic and empirical research such as this.

It is pertinent to note that this consciousness for systematic and empirical research in Political Science, especially the quest to attain scientific status has led to the proliferation of various methods of data collection and analysis in the field of Political Science, this has in turn engendered endless, but needless controversies. However, all these methods are not mutually exclusive but are legitimate stages in empirical enquiry, and any method which achieves its purpose is valid for that purpose (Ifesinachi, 1999:28). Our methods should therefore change to adapt to the different stages of development of the field of Political Science.

In the light of the foregoing, this study will be based on secondary data. Secondary data are simply any form of information originally collected for the purpose other than the present one. The advantage of such data is that it saves time and money, and it allows us the opportunity of using the work of others to broaden the base from which scientific generalizations can be made (Ifesinachi, 1999:29; Asika, 1991: 27; Ofo 1994:7). Again, as it is not always possible to get first hand information, the secondary source of data contribute immensely to valid and reliable research that deals with past events such as this (Ofo, 1994).

Essentially, our secondary data will be sourced from text books, journal articles, newspapers, magazines and internet materials all gotten from text books, journal articles, newspapers, magazines and internet materials all gotten from the Nnamdi Azikiwe library and other private libraries.

Furthermore, we shall employ the technique of observation to collect the secondary data. This is because the researcher observes the information already collected and documented, and proceeds to make empirical and systematic analysis. again, descriptive analysis will be used as the method of data analysis. Based on this, we shall describe collected information using tables, charts and simple percentages where necessary. This method is therefore suitable for our study because it enables us to collect information such as West African trade and investment statistics and analytically describe them in order to investigate the hypotheses contained in this study. If we succeed in doing this, then the method has served its purpose and is considered valid for this research.

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1.9 RESEARCH DESIGN

In order to avoid attributing an effect to wrong cause(s) , to adequately manipulate the variables (dependent and independent) of a research problem, and to ensure the reliability and validity of the research, any empirical study must identify and apply suitable research design which must also be specified in the course of the study. Planning for the specification and manipulation of variables is therefore the logic of a research design, as a logic, each research design is like a blueprint that tells us how to reach plausible answers to research problems (Leege & Francis, 1974:67).

Therefore, the research design to be employed in this study is the ex-post-facto research design. The term ex-post-facto research is a Latin word which means “after the fact” or “retrospectively”. In ex-post-facto research, the effect and the alleged cause have already occurred, but both conditions are studied retrospectively (Obasi, 1999:63; Ofo, 1994:16; Asika, 1991:35; Kerlinger cited in Ofo, 1994). In fact, Kerlinger cited in Ofo (1994:18), defined ex-post-facto research as:

> *That in which independent variable or variables have already occurred and in which the researcher starts with the observation of dependent variable or variables…The researcher is thus examining retrospectively the effects of a naturally occurring event on a subsequent outcome with a view to establishing a casual link between them.*

To this end, we shall adopt the ex-post-facto research design by observing albeit retrospectively, and analyzing the challenges posed by globalization to regional integration in West Africa within the period covered by the scope of this study (i.e. 1990 – 2006). Again, globalization shall be dealt with as the independent variable in the study, we shall examine how as an independent variable, globalization impacts on regional integration (the dependent variable) in West Africa. Thus, a casual relationship would be established between the two variables (independent and dependent.

Again, using the ex-post-facto research design enables us to identify and manage the threats to **validity** and **reliability** of our research. As noted by Leege & Francis, (1974:70), the threat to the validity and reliability of this type of research design (also known as one-short case study) is that no matter how laboriously and insightfully done, it

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is likely to lead to "misplaced precision" because it provides for virtually no controls over plausible rival substantive hypotheses or method effects. Even from the standpoint of discovery it is of limited utility because it provides no control within itself for the possible falsification of a finding. However, in order to manage this threat to validity and reliability using this design, they suggest that useful intellectual resources be spent on limited sampling of variables utilizing either a premeasure on the dependent variable, or a postmeasure on a control group (not exposed to X), or both (see Legee & Francis, 1974:70). Based on this we shall manage the threat to the validity and reliability of our study by spending intellectual time in utilizing and explicating the three aspects of globalization (the independent variable) which impacts on the dependent variable (regional integration) and also make reference (i.e. take a premeasure) of efforts at regional integration in West Africa prior to our study period (1990-2006).

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CHAPTER TWO

TRADE LIBERALISATION AND INTRA-REGIONAL TRADE IN WEST AFRICA

2.1 Global Frameworks for Trade Liberalisation

Understanding the link between trade liberalisation and the diminishing intra-regional trade liberralisation in West Africa necessitates an understanding of the global frameworks under which contemporary trade is practiced. To this end, the World Trade Organisation (WTO) has emerged as the global institution for the regulation of international trade while its various trade policies and agreements provide the frameworks for trade liberalisation globally.

We shall therefore examine how the WTO principles and various other international trade agreements reached under the auspices of the WTO provides the framework for trade liberalisation.

2.1.1 Agreement on Rules of Origin

Through this agreement, the WTO aims at achieving trade liberalisation by ensuring long-term harmonization of rules of origin, other than rules of origin relating to the granting of tariff preferences, and to ensure that such long-term harmonisation of rules of origin do not themselves create unnecessary obstacles to trade.

Until the completion of the harmonisation programme, the agreement provides that contracting parties would be expected to ensure that their rules of origin are transparent; that they do not have restricting, distorting or disruptive effects on international trade; that they are administered in a consistent; uniform, impartial and reasonable manner, and that they are based on a positive standard. Apparently, such agreement fosters unfettered trade across the globe.

2.1.2 Agreement on Textiles and Clothing

The object of this negotiation has been to secure the eventual integration of all textiles and clothing sector into the rules and disciplines of global trade. This simply means that trade in those products will be governed by the general rules of GATT (which have been adopted by the WTO).

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The agreement provides for stages under which the textiles and clothing sector would be liberalised and integrated. Stage one provides that by January 1, 1995, each party would integrate into GATT products from the specific list in the Agreement which accounted for not less than 16 percent of its total volume of imports in 1990. At the beginning of Phase 2, on 1 January 1998, products which accounted for not less than 17 percent of 1990 imports would be integrated. On 1 January 2002, products which accounted for not less than 18 percent of 1990 imports would be integrated. All remaining products would be integrated at the end of the transition period on 1 January, 2005 (for details see www.WTO:orgretrieved.09/12/2007).

Essentially, the textiles and clothing agreement aims to enhance trade liberalisation by phasing out the bilateral quotas and other forms of restrictions to trade in textiles and clothing. The agreement also stipulates that, as part of the integration process, all members shall take such actions in the area of textiles and clothing as may be necessary to abide by world trading rules and disciplines so as to improve market access, ensure the application of policies relating to fair and equitable trading conditions, and avoid discrimination against imports when taking measures for general trade policy reasons.

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2.1.3 Agreement on Agriculture

This agreement provides a framework for the long-term reform of agricultural trade and domestic policies over the years. The agreement centers on the issues of concessions and commitments members are to undertake on market access, domestic support and export subsides, sanitary and phytosanitary measures etc.

In the area of market access, the agreement provides that non-tariff border measures are replaced by tariffs and tariffs resulting from this “tariffication” process, as well as other tariffs on agricultural products are to be reduced by an average of 36% in the case of developing countries, with minimum reductions for each tariff line being required. Reductions are to be undertaken over six years in the case of developed countries and over ten years in the case of developing countries (for details, see www.wto.orgretrived09/12/2007).

The tariffication package also provides for the maintenance of current access opportunities and the establishment of minimum access tariff quotas (at reduced tariff rates) where current access is less than 3 percent of domestic consumption.

Members are also required to reduce the value of mainly direct export subsidies to a level 36% below the 1986-1990 base period level over the six-year implementation period, and the quantity of subsidised exports by 21 percent over the same period. In the case of developing countries, the reductions are two-thirds those of developed countries over a ten-year period (with no reductions applying to the least-developed countries) and subject to certain conditions, there are no commitments on subsidies to reduce the costs of marketing exports of agricultural products or internal transport and freight charges on export shipments.

From the foregoing, it is evident that the basic thrust of the Agreement on Agriculture is the removal of non-tariff controls on agricultural products, converting these to tariffs and there progressively reducing these tariffs thereby ensuring that trade in agriculture is liberalised and determined by market forces.

2.1.4 Agreement on Technical Barriers to Trade

Although, this agreement recognizes that countries have the right to establish protection at levels they consider appropriate, e.g. for human, animal or plant life or health or the environment, and should not be prevented from taking measures necessary to ensure those levels of protection are met. The agreement seeks fundamentally to ensure that technical negotiations and standards, as well as testing and certification procedures do not create unnecessary barrier to trade.

Furthermore, the agreement encourages countries to use international standards where appropriate in carrying out technical negotiations and setting of other standards on goods/trades.

2.1.5 WTO Nondiscrimination Principle

The nondiscrimination principle which guides the global trade policies has two major components: the Most-Favoured-Nation (MFN) rule, and the national treatment

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principle both of which are embedded in the main WTO rules on goods, services and intellectual property.

The Most-Favoured-Nation (MFN) component of the nondiscrimination principle requires that a product made in one member country be treated no less favourably than a "like" (very similar) good that originates in any other country. The MFN rule applies unconditionally and is a basic pillar of the WTO for trade liberalisation, it helps to enforce multilateral trade rules by raising the costs to a country defecting from the trade regime to which it committed itself in an earlier multilateral trade negotiation.

Conversely, the "national treatment" component of the nondiscrimination principle ensures that liberalisation commitments are not offset through the imposition of domestic taxes and similar measures. It requires that foreign goods be treated no less favourably, in terms of indirect taxation than like or directly competitive domestically produced goods.

2.1.6 Principle of Binding and Enforceable Commitments

This principle ensures that market access commitments are implemented and maintained. This is because trade liberalisation commitments and agreements to abide by certain rules have little value if they cannot be enforced.

The principle further ensures that once tariff commitments are bound, it is important that member states do not resort to other, non-tariff, measures that have the effect of nullifying or impairing the value of tariff of nullifying or impairing the value of the tariff concession. For example, certain GATT articles adopted in the WTO ensures that this does not occur. They include Article VII (customs valuation), Articles XI which prohibits quantitative restrictions on imports and exports, and the Agreement on subsidies and countervailing measures which outlaws export subsidies for manufactures and allows for the countervailing of production subsidies on imports that materially inquire domestic competition (Bernard et al 2002: 43).

2.1.7 Principle of Transparency

This principle enables the WTO to actually monitor the trade policies of member countries and to ensure that member countries are committed to trade liberalisation. The

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principle of transparency requires access to information on the trade regimes that are maintained by members. It is a basic pillar of the WTO, and it is a legal obligation embedded in Article X of the GATT and Article III of the GATS, and Article 63 of the TRIPS agreement all require that relevant laws, regulations, judicial decisions, and administrative rulings be made public. Again, WTO members are required to respond to requests for information by other members, and to notify changes in trade policies to the WTO.

Essentially, through this principle, the WTO ensures global trade liberalisation by reviewing trade policies of member countries and ensuring that no member adopts any trade policy inimical to trade liberalisation.

2.1.8 Reciprocity Principle

The reciprocity principle was conceived as a way to discourage or prevent nations from enacting unilateral trade barriers. Thus, all members are to lower their trade barriers together.

Furthermore, the principle ensures better access to the global market by all member countries and also facilitates multilateral trade liberalisation. It ensures that a nation obtains a reduction in foreign import barriers as a quid pro quo for a reduction in its domestic trade restrictions.

Through this principle the WTO ensures free flow of trade across national borders and the elimination of all forms of barriers to trading among nations.

From the foregoing therefore, it is obvious that the contemporary frameworks for trade liberalisation are anchored on the principles of WTO and other trade agreements reached under the auspices of WTO. The major thrust of all these principles and agreements remain removal of all forms of barriers to unfettered trade globally.

2.2 Trends in Contemporary Trade Practices

Having seen the framework for global trade liberalisation, it is analytically germane to equally assess the contemporary trade practices engendered by this framework.

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Trends in contemporary trade practices reveals that world trade has experienced astronomical growth; change in the direction of global trade as against the hitherto North-South trade that characterised and dominated global trade; marginalisation of a group of countries in the global trade and the rising prominence of non-state actors – Transnational corporations-in global trade. All these trends shall be examined in this section with relevant statistical tables and charts presented.

2.2.1 Growth of Global Trade

Trends in contemporary trade reveals that as a result of trade liberalisation, world trade has grown very much faster than world production, this testifies to "the increased internationalization of activities and of the greater interconnectedness which have come to characterize the world economy" (Hoogvelt 1997: 69). In the nineties alone, world trade expanded at an average of 8.5% a year, more than double the average growth of 3% a year of world production. The trade in services have also become an important component of international trade, thus adding to the quantum of international trade (Iglesias 1997: 3).

This increase in the volume of world trade is as a result of liberalisation of trade which has brought about the removal of tariff and other non-tariff barriers to global trade, and the consequent integration of all economies of the world into the global market. Table 2.1 presents data on the growth of individual region's trade in global market and the intensity of integration of these regions into the world market measured in terms of each region's percentage of GDP purchasing power parity and in terms of goods expressed in percentage of gross production of goods in the country.

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Table 2.1: Integration into the World Economy

	Trade/% of PP GDP		**Trade in goods/% of goods GDP**	
World	1986	1996	1986	1996
Lower income	7.1	7.9	33.8	56.9
Middle income	12.5	21.8	53.3	81.1
Lower middle income	12.5	20.0	47.1	84.5
Upper middle income	12.5	24.1	59.0	77.6
Low and middle income	10.4	15.2	46.1	76.8
East Asia and pacific	9.1	13.0	48.1	127.3
Europe and Central Asia	-	25.5	57.2	79.7
Latin America and Caribbean	7.9	17.3	40.6	61.7
South Asia	4.9	5.8	22.1	39.2
Sub-Sahara Africa	15.8	18.9	70.3	102.5
High income	26.5	38.9	70.4	178.8
Middle East and North Africa	19.4	18.9	52.1	78.4

Source: *World Bank, World Development Indicators; Washington 1998 in (Kankwenda, 2000).*

The table above shows that virtually all continents of the world have been integrated into the world economy over the period 1986-1996 when measured in terms of the percentage of their GDP purchasing power parity and in terms of goods expressed in percentage of gross production of goods in the country (See Kankwenda, 2000). This also accounts for the astronomical growth of world trade. For example, for Europe and Central Asia alone, their global trade in goods as a percentage of their GDP rose from 5.72% in 1986 to 79.7% in 1996, the same trend is also seen in the case of other regions of the world as presented in Table2.1 above.

However, while other regions like Asia, South America and other developed economies of the world have increased their shares of world trade (imports and exports) that of Africa have not only remained marginal but have declined over the years. Table 2.2 and 2.3 presents data on the trend in world trade from 1980 to 2003 for different regions of the world. This is also represented in Figs. 2.1 and 2.2 for a vivid illustration.

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Table 2.2: Distribution of World Trade (Exports in %) 1980 – 2003

Region/Economic Group	1980	1990	2003
Developed Economies	65.31	72.03	64.53
Developing Economies	29.43	24.21	32.39
South-East Europe and CIS	5.27	3.70	3.08
Africa	5.91	3.12	2.34
Sub-Saharan Africa	3.74	1.99	1.49
Developing Asia	17.91	16.87	24.95
Developing America	5.50	4.15	5.04

Source: *UNCTAD Handbook of Statistics, 2004*

Table 2.3: Distribution of World Trade (Imports in %) 1980-2003

Region/Economic Group	1980	1990	2003
Developed Economies	70.93	73.05	68.15
Developing Economies	23.90	22.53	29.28
South-East Europe and CIS	5.17	4.42	2.54
Africa	4.65	2.87	2.22
Sub-Saharan Africa	3.13	1.62	1.42
Developing Asia	13.01	15.89	22.14
Developing America	6.07	3.64	4.83

Source: *UNCTAD Handbook of Statistics, 2004*

The figures contained in these tables are also presented in figures 2.1 and 2.2 (pie charts) in order to present a vivid and elaborate illustration of the shares of world trade (import and exports) traded by different regions of the world. The pie charts were plotted using data for 2002/2003.

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Fig. 2.1: Distribution of World Trade (Exports)

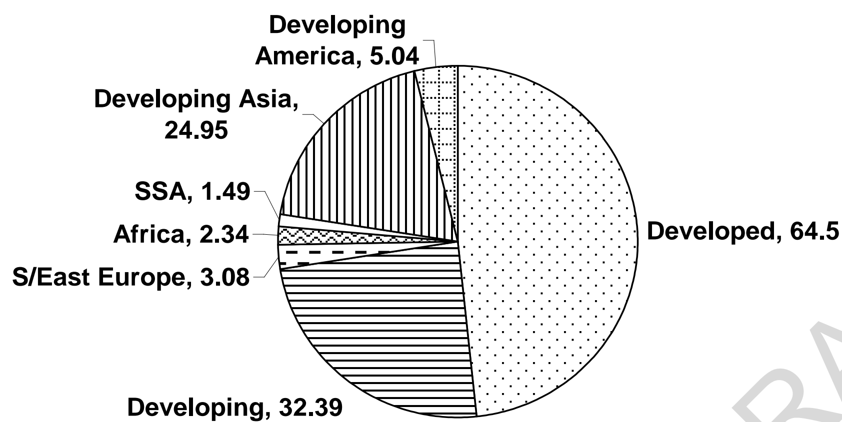
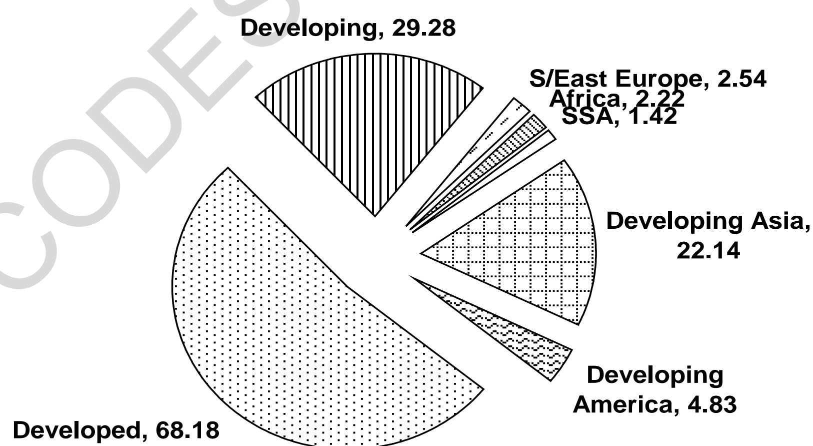


Fig. 2.2: Distribution of World Trade (Imports)



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2.2.2 Trajectory of Global Trade Flow

Trade liberalisation has also changed the direction of global trade. As against the old practice in which developed countries trade more with developing Africa countries (i.e. the traditional North-South trade), contemporary trade direction reveals closer trade relations among the developed countries (North-North trade). In general, while intra-African trade remains insignificant, Africa's trade with the developed countries has continued to decline especially when measured in terms of its share of total trade of the developed countries.

World trade is in fact revolving around the dominant hubs which play decisive role in the globe given the hegemony exerted. Dynamics of contemporary trade have seen the emergence of three major trading partners (Europe, U.S and Japan [Asia]). This tripartite division have remained relatively constant and further energised especially by the formation and consolidation of trade groupings by these major global traders. For example, in Asia, Japan appears as the dominant hub while the U.S holds sway in North America, the strengthening of the European Union (EU) via the single currency (Euro) in 1999 further makes these economic colossus the most dominant regions in the global trade and the closest trading partners. Table 2.4 presents a vivid picture of the flow and direction of trade among the various regions of the world especially among the three major trading partners as at 1999.

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Table 2.4: Intra-and inter-regional Merchandise Trade as at 1999 (value in US billion dollars)

	Destination					
Origin	North America	Latin America	Western Europe	Africa	Asia	World Total
North America	370	146	181	11	197	934
Latin America	183	47	38	3	18	297
Western Europe	232	57	1625	59	176	2353
Africa	17	3	57	11	15	112
Asia	367	35	252	21	650	1394

Source: *WTO data source (www.WTO.org)*

The table above shows that in terms of value of trade, these three major world trading regions traded more within and among themselves. For instance, in terms of intra-regional trade, North America remains the destination with the highest share of good (370 billion dollars) originating from North America while in terms of inter-regional trade, North America traded more with Europe (181 billion dollars) and Asia (197 billion dollars), than with other regions of the world. The same is true for Europe and Asia.

Table 2.5 below further presents the percentage share of inter and intra-regional trade in the of different regions of the world.

Table 2.5: Share of intra and inter-regional trade flows in each region's total Merchandise Exports (%) as at 1999

Regions	North America	Latin America	Western Europe	Africa	Asia	World Total
North America	39.6	15.6	19.4	1.2	21.1	100.0
North America	61.6	16.0	12.9	0.9	6.0	100.0
Western Europe	9.9	2.4	69.1	2.5	7.5	100.0
Africa	14.9	3.0	51.0	9.9	13.8	100.0
Asia	26.3	2.5	18.1	1.5	46.6	100.0

Source: *WTO data source (www.wto.org/datasource)*

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The above table further exposes the direction of contemporary trade flow which is anchored on the tripartite relations among the three major world traders. While 39.6% of North America's trade is traded within North America, 19.4% of its trade is with Europe and 21.1% with Asia, other regions of the world remain marginal. The same is true for Asia and Europe. In fact, that of Europe is more glaring as a whooping share of 69.11% of its total trade took place within the region and the remaining shared among other regions of the world, North America and Asia still remaining its largest trade partners.

As a result of the current direction in the flow of global trade, the world is slowly dividing itself into three powerful trading groups: Asia, North America and Europe (see Borrus et al 1995: 313). The implication of this trend can be summarised as follows:

1. The three world largest trading regions trade more within their respective regions;
2. At the level of inter-regional trade, these three largest world traders trade among themselves.

3. They all account for the highest shares of total global trade.

In Asia for instance, trade within Asia has grown faster than trade between Asia and other regions of the world. The major source of imports for each Asian economy is usually another Asian economy, most often Japan (Borrus et al 1995:314). Table 2.5 above shows that intra-Asian trade alone accounts for 46.6% of total Asian trade in 1999 while only Asia accounted for 25.5% of total world trade within the same period.

Trade within the European community (EU) has equally grown faster than trade between the region and the rest of the world. This is revealed by Tables 2.4 and 2.5 above.

In North America, Canada and the United States remains each others largest trading partners thereby concentrating a significant percentage of their trade within the region.

What emerges from the above is more collaboration and cooperation among these three world largest traders thereby concentrating and intensifying the flow of trade within these three regions hence, the contemporary North-North trade relations which has now eclipsed the hitherto North-South trade.

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2.2.3 The Spectre of Marginalisation in Global Trade

Trends in contemporary trade practices shows that while world trade continues to expand annually, African exports have suffered a continuous decline both in value and volume. During the 1990s, African exports suffered an average annual decline of 1%, compared to more robust growth rates of 7% and 5% for Asia and Latin America respectively. Africa's poor export growth record is reflected in the steady decline of the region's share of world merchandise trade which fell approximately two-thirds, from about 6 percent in the early 1980s, to roughly 2 percent in the mid 1990s (Oyejide, 1998: 109). In comparison, Latin America maintained its share of about 5 percent throughout, while Asia sharply increased its share from 16% to 27%. These comparisons broadly confirms and portrays the fact that contemporary trade practices anchored on the WTO framework of trade liberalisation has intensified the marginalisation of Africa (including West Africa) in terms of its share of world trade. Table 2.6 below percents a vivid picture

of the marginalisation of Africa in the distribution of global trade by regions especially when compared with the performance of Latin America and Asia.

Table 2.6: Trade in World Merchandise by Region

1. Average annual rates of export growth (%)

Periods	Africa	Asia	Latin America
1980s-90s	-1	+ 7	+ 5

2. Share of World Merchandise Table (%)

Periods	Africa	Asia	Latin America
Early 1980s	6	16	5
Mid 1990s	2	27	5

Source: *Oyejide 1998*

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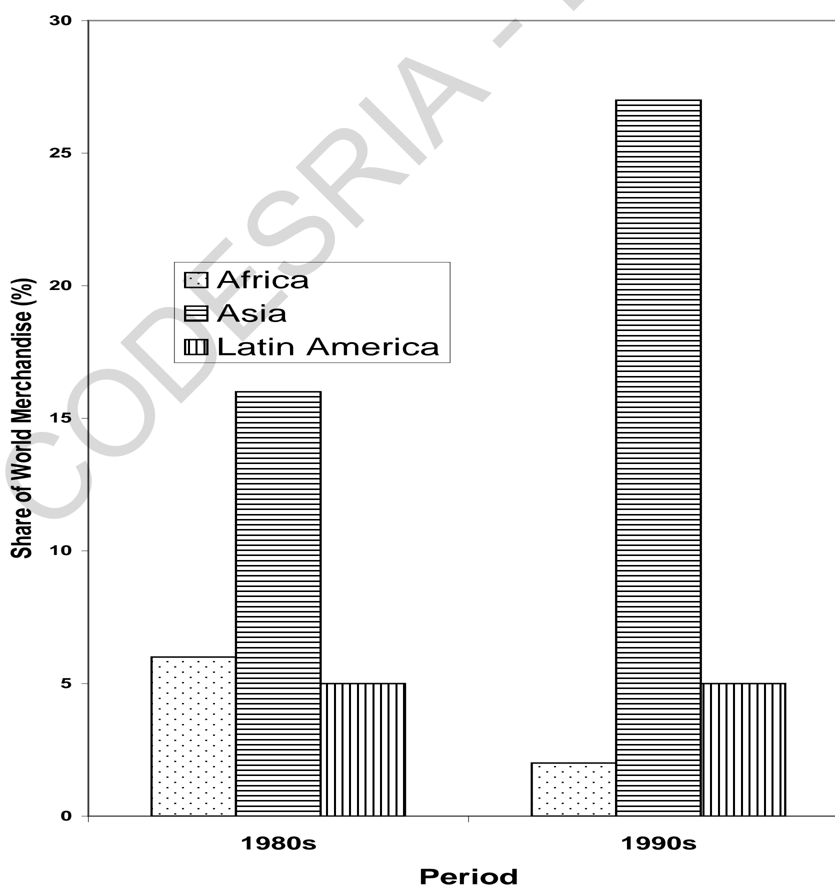
Fig. 2.3: Share of World Merchandise Trade by Region



The table reveals that while the other regions have increased their annual export rates, that of Africa declined. More so, Africa's share of world merchandise trade reduced from 6% to 2% in the 1990s while other regions (Asia and Latin America) experienced a surge in their share of world merchandise trade. This is also represented in a bar chart above (Fig. 2.3) in order to present a clear picture of the scene.

Also, the primary commodities on which so many African countries so heavily depend have experienced sluggish world demand and a long-term decline in real prices. Market share losses were 40% for such commodities as copper, timber and coffee; almost 60% for iron ore, and close to 30% for cotton and cocoa (Oyejide 1998: 110).

This abysmal trend in African trade performance is linked to trade liberalisation which has exposed African economies to competition from new and relatively more efficient producers in Asia and Latin America which displaced African primary commodity exports in world market. Unlike African countries, their Asian and Latin American competitors sustained and enhanced their comparative advantage by investing in research, extension, infrastructure and extensive planting of new and improved varieties thereby reducing production costs and improving efficiency. But the typical African country overtaxed its primary commodity sector-directly through explicit export charges, and indirectly through over-valued exchange rates and inefficient parastatal marketing monopolies. At the same time, African agricultural and export sectors received inadequate government support to overcome the negative incentives from global trade framework enunciated by the WTO thereby making her vulnerable to the vagaries of global trade and unable to compete internationally. Empirical data in Table 2.7 below shows how Africa has lost its traditional market to Asia as a result of its inability to compete internationally in the era of trade liberalisation.

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Table 2.7: Africa Loss of Traditional Markets to Asia

International Export Market Shares						
Products	**Africa**		**% change**	**Asia**		**% change**
	1970	1993		1970	1993	
Cocoa	80.3	60.1	-20.2	0.4	20	19.6
Coffee	24.6	14.3	-10.3	4.9	10.9	6.0
Rubber	7.4	5.6	-1.8	89.1	90.8	1.7
Timber	13.4	7.3	-6.1	43.3	52.6	9.2
Cotton	30.7	17.2	13.1	16.6	35.6	19

Source: *Culled from Oshikoya W.T & Hussain M.N (2002)*

Fig. 2.4: Africa Loss of Traditional Market to Asia

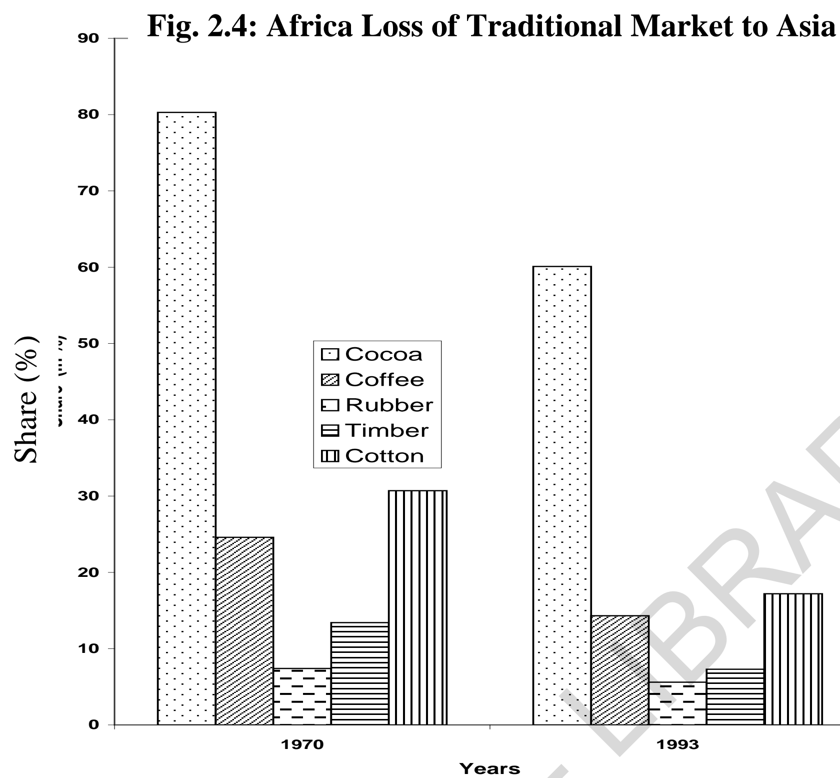
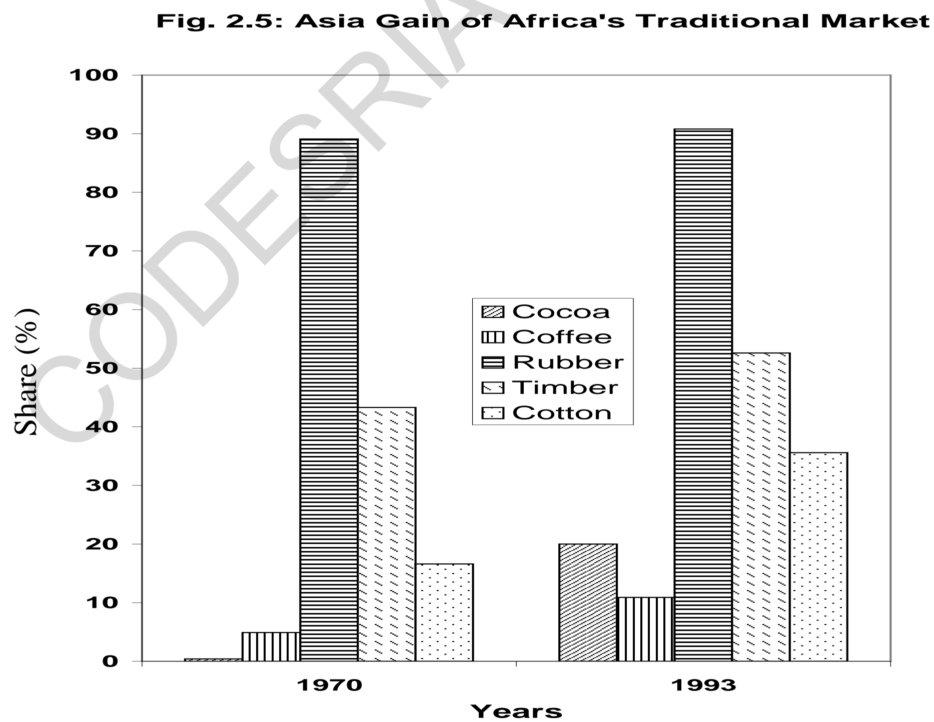


Fig. 2.5: Asia Gain of Africa's Traditional Market



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The above table (Table 2.7) shows that while Africa's share in the international export of raw materials declined in the 1990s, that of Asia increased astronomically, for instance in the 1970s, Asia share of world export in cocoa was just 0.4% while that of Africa was 80.3 %, however, by the 1990s Africa's share of world cocoa export declined to 60.1% while that of Asia increased to 20 %. This is also represented in Figures 2.4 and 2.5 above. Thus, raw materials supply to the global market that was hitherto the domain of African countries has been snatched by Asia. This is the dilemma of Africa in the contemporary global trade practices.

2.2.4 Role of Transnational Corporations (TNCs) in Contemporary Trade Practices

An analysis of contemporary trade practices must take cognizance of the role of Transnational Corportions (TNCs) in changing the face of global trade. This is because TNCs through their parent nations influence the policies and institutions governing global trade.

Transnational corporations have been described as world managers with high power valence derived not only by their command of large stock of capital, technology and market ideology but through the global interconnectedness they foster (see Aja-Akpuru-Aja, 1998:159). According to Rourke cited in Aja-Akpuru-Aja (1998:160):

> *Modern MNCs have become economic goliaths. As fast as trade and other forms of international commerce have grown, MNCs have expanded even more rapidly. To get some idea of the size and continuing growth of MNCs, consider some of the following statistics: there are about 2,000 large MNCs (operating in six or more countries) and over 8,000 smaller MNCs.*
> *These 10,000 MNCs control 90,000 subsidiaries. In 1989, the largest MNCs had combined foreign and domestic sales of $1.85 billion and amassed profits of $77.7 billion.*
> *Of the top 50, 42% are Western European, 34% are U.S based, and 20% are Japanese. Only 2 (Daewoo and Samsung corporations of South Korea) of the 50 are based outside the trilateral countries (the North American and Western European industrialized countries & Japan).*
> *Even among the top 500 MNCs, only 22 are in Third World, and most of these are oil companies.*

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From the foregoing, it is evident that activities of TNCs have continued to shape the dynamics of global trade. Worthy to mention that the regions with the highest share of global trade also happens to be the regions with the highest numbers of TNCs operating within their domain. This shows that the greater the TNCs activities in a region, the greater the region's share of global trade. Furthermore, the more TNCs increase their trading activities in the world, the greater the volume of global trade.

Again, the presence of TNCs fosters global interdependence in the area of trade because TNCs take the world as one component unit; plan their business in contemplation of the world market; and see themselves as non-national entities for which national boundaries are largely irrelevant (Asobie, 2002:2).

Again, the contemporary practice of focusing more on intra-company transfers rather than trade among nations further aids TNCs in diminishing state-imposed barriers on international trade and also in increasing the quantum of trade. Activities of TNCs also contribute to the asymmetrical nature of global trade because TNCs concentrate their activities in areas with comparative advantage. By so doing, the Third World countries remain traders in primary commodities, the of which have continued to diminish, no wonder most TNCs in the Third World are in extractive sectors of the economy especially the oil sector.

The world's major TNCs now plays powerful role in the WTO through direct linkages with the trade representatives of participating countries. In the case of U.S for example, members of the Advisory Committee for Trade Policy and Negotiation include such corporate giants as IBM, AT&T, Bethlehem Steel, Time Warner, Corning, Bank of America, America Express, Scott Paper, Dow Chemcal, Boeing, Eastinan Kodak, Mobil Oil, Amoco, Pfizer, Hewlett-Packard, only to mention a few (see Clarke, 1996:302).

Therefore, the role of TNCs in contemporary trade practices cannot be over-emphasized as they influence the laws governing global trade, impact on the flow of trade, the volume and intensity of the international trade.

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2.3 Trade Liberalisation in West Africa: An Assessment

This context reveals the reality that West African countries have embraced and are implementing various forms of trade liberalization measures, eliminating and reducing tariffs and other barriers to trade all of which are carried out within the ambit of contemporary trade liberalization framework.

Many West African countries have hitherto rapidly built up, in a rather haphazard manner, highly interventionist and protectionist trade regimes (Oyejide, 2004:4). These regimes were broadly characterized, on the import side, by restrictive licensing systems, fairly high tariffs, escalated or cascading tariff structures made up of several layers, varying degrees of import prohibitions, and tight foreign exchange controls. On the export side, the trade regimes featured substantial implicit and explicit taxes as well as frequent use of non-tariff barriers such as export prohibition.

However, by the 1990s, West Africa countries followed the path of liberalizing their trade regimes especially after their accession to the WTO. It is pertinent to note that the liberalization efforts concentrated on the import side and paid much less attention to the elimination of anti-export bias inherent in the trade regime. There is a clear evidence that protection of import substitutes by tariffs and non-tariffs barriers (NTBs) in sub-Saharan Africa as a whole has declined (Nash 1993:38 in Oyejide 2004).

As at 1995, over 60% of West African countries have fully become members of WTO . This means that West African countries are bound by the WTO obligations not only to reduce trade barriers but also to implement significant reforms both in trade procedures and in many areas of regulation that establish the basic business environment in the domestic economy.

More significantly, the level of protection has fallen by between 30% and 50% over the period from the mid-1980s to the early 1990s, and the downward trend has continued through the mid-1990s. Thus, since the 1990s, most African countries have moved from complete or nearly complete government control over imports to more open systems, and have substantially reduced the number of imports subject to quantitative barriers. In fact, the greatest progress in the area of trade liberalization has been achieved in replacing quantitative restrictions with lower and less dispersed tariff levels, a good number of West African countries now have average tariff rates of 15-20% with the

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highest rates set at 35-40%, and the number of tariff categories reduced to 4-5% (World Bank 1995:24 in Oyejide 2004). But on the export side, the picture is much less favourable as there has been little progress on establishing efficient systems to give exporters access to inputs at internationally competitive prices since the various institutional mechanisms for achieving this objective remain underdeveloped in Africa and West Africa (see Nash, 1993:42 in Oyejide 2004).

To further prove that tariff walls have drastically reduced in West Africa, Table 2.8 below shows the tariff walls of selected African countries and how they have reduced over the period.

Table 2.8: Tariff Walls in Selected West African Countries (1986-2000) (in %)

Country	1986-1990	1996-2000	%change
Sierra-Leone	30.9	18.3	-12.6
Burkina Faso	60.8	25.4	-35.4
Nigeria	29.7	24.1	-5.6
Cote d'Ivoire	26.1	18.5	-7.6
Mauritania	22.3	15.9	-6.4
Senegal	13.5	19.3	-5.8
Ghana	18.8	14.6	-4.2

Source: *culled from Okolie, 2007:13*

The above table illustrates the fact that relative to the 1986-1990 period – a period preceding the establishment of the WTO and the aggressive liberalization policies – a good number of West African countries had a reduction of trade barriers in the 1996-2000 period – a period after the establishment of the WTO and after the accession of these countries to the WTO. This trend in the decline of tariff walls can also be presented graphically in a bar chart (Figure 2.6) for a more vivid illustration.

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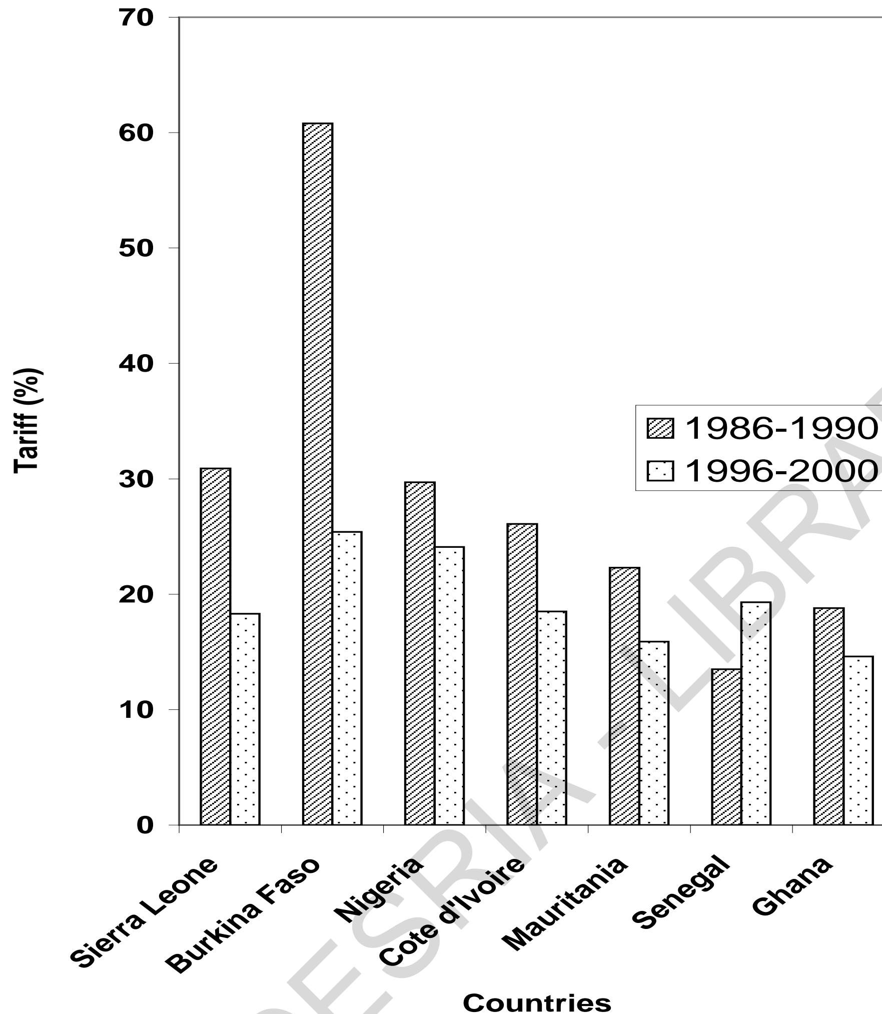
Fig. 2.6: Tariff Walls in Selected West African Countries



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2.4 Regional Strategies for Development of Intra-Regional Trade in West Africa

In order to develop intra-regional trade in West Africa, various strategies and mechanisms have been employed to achieve this purpose. Thus, there has been a proliferation of agreements and institutional arrangements in West Africa which seeks to provide the framework for fostering intra-regional trade in the sub-region.

The most remarkable institutional framework for the facilitation of intra-regional trade is the ECOWAS. Though there exist other inter-governmental arrangements for the development of intra-regional trade. Examples include the West African Economic and Monetary Union (UEMOA) formed among the francophone countries of West Africa;

The Mano River Union (MRU) between Guinea, Liberia and Sierra-Leone. We shall dwell more on ECOWAS and the UEMOA which have the largest members and highest impact on trade activities in West Africa.

2.4.1 Intra-Regional Trade arrangement Under ECOWAS

The essence of this section is not a historical or institutional analysis of ECOWAS but to examine the strategies employed under the auspices of ECOWAS for the facilitation of intra-regional trade.

Established in 1975, the mandate given to ECOWAS under its treaty includes *inter alia:* the elimination of customs duties and other charges of equivalent effect in respect of the importation and exportation of goods between member states; the abolition of quantitative and administrative restrictions on trade among the member states; the establishment of a common external tariff and a common commercial policy towards third countries.

Specifically, in order to facilitate intra-regional trade and free movement of goods. Sub-paragraph (d) of paragraph 2 of Article 2 of the Treaty of ECOWAS calls on member states to ensure by stages the abolition of the obstacles to free movement of persons, services and capital. In addition, paragraph 1 of Article 27 of the Treaty confers the status of community citizenship on the citizens of Member States and also enjoins member states to abolish all obstacles to freedom of movement and residence within the community.

Further, paragraph 2 of Article 27 of the Treaty of the ECOWAS provides member states to exempt community citizens from holding visitor's visa and residence permits and allow them to work and undertake commercial and industrial activities within their territories. These provision were reiterated in the revised treaty of ECOWAS.

Article 3(2) (d) states that an objective of the community is the establishment of a common market through:

(i) the liberalisation of trade by the abolition, among member states, of customs duties levied on imports and exports, and the abolition among Member states, of non-tariff barriers in order to establish a free trade area at the community level;

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(ii) the adoption of a common external tariff and a common trade policy vis-à-vis third countries;

(iii) the removal, between Member States, of obstacles to the free movement of persons, goods, services and capital and to the right of residence and establishment.

The above section of Treaty establishing ECOWAS shows that ECOWAS is mainly a strategy for fostering trade among member counties through the liberalisation of trade and adoption of a common external tariff (CET).

To further ensure internal free trade devoid of any obstacle within the sub-region, Article 12, Chapter 3 of ECOWAS Treaty provides that:

> *There shall be progressively established in the course of a transitional period of fifteen (15) years from the definitive entry into force of this Treaty, and as prescribed in the chapter, a Customs Union among the Member States. Within this Union, Customs duties or other charges with equivalent effect on import shall be eliminated. Quota quantitative or like restrictions/prohibitions and administrative obstacles to trade among the Member States shall also be removed. Furthermore, a common customs tariff in respect of all goods, imported into the Member States from third countries shall be established and maintained.*

Essentially, ECOWAS provides the foremost recognized institutional strategy for the development of intra-regional trade in West Africa. Thus, the articles and Treaty of ECOWAS and other subsequent agreements under the auspices of ECOWAS provides a framework under which intra-regional trade is facilitated in West Africa.

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2.4.2 Intra-Regional Trade Arrangement Under the West African Economic and Monetary Union (UEMOA)

The UEMOA, though not as widespread as ECOWAS in terms of membership stands as another West African Strategy for the facilitation of intra-regional trade in the West African sub-region. Made up of Francophone West African countries, the UEMOA was formed in 1994 with the aim of achieving free internal trade among members and a common external tariff against non-members, and in the longer term, free movement of

services, capital and people, and harmonisation and mutual recognition of technical standards (Page and Bilal, 2001).

In 1995, UEMOA agreed to end internal tariffs on unprocessed agricultural goods and handicrafts, and reduced tariffs on some industrial products (to be removed within a year). In this regard, a preferential trade tariff regime which applies to intra-UEMOA trade was instituted in 1996. With regard to industrial products, after a tariff reduction plan spread out over three and a half year, there has been entry free of duties and taxes since 1st January 2000 (Abdulahi, 2005:7).

Generally, there was only a small reduction for those goods on which agreement was not reached. The tariff loss from the regional preference would be compensated by a 0.5%, later raised to 1%, levy on non-regional imports. The levy and the compensation mechanism have been implemented. The UEMOA has been notified to the WTO under the Enabling Clause in 2000 (Page and Bilal, 2001). It provides that all internal tariffs be eliminated by 2000 among member countries, though countries could retain transitional taxes until 2003.

Apparently, the UEMOA stands as another strategy for facilitating intra-regional trade in West Africa. Though its emphasis is on Francophone West African countries, it is still recognised as a laudable mechanism put in place for intra-regional trade in West Africa.

2.5 Impact of Trade Liberalisation on Development of Intra-Regional Trade in West Africa

The global trade liberalisation has no doubt impinged on the development of intra-regional trade in West Africa. As a result, what is experienced in West Africa is outward and vertical trade integration of the West African countries to the global economy, a situation where there is a more developed trade link with developed countries than among West African countries.

Empirical data shows that individual West African Countries trade more with industrialised capitalist countries than with fellow West African Countries i.e. a large percentage of their trade (both import and exports) goes to and comes from of the industrialised countries while only an insignificant share is traded with other West

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African Countries (see Appendix 1 for country-by-country statistics of West African trade 1990-1999).

Furthermore, the outward trade integration engendered by global trade liberalisation have left West African Countries as only suppliers of raw materials and unfinished goods in which they specialize. As such, the countries of West Africa all of which are suppliers of unprocessed raw materials do not possess the required complementarily required at the sub-regional level to be able to exchange goods or trade among themselves. This also explains why most West African Countries still retain one form of barrier or the other against goods coming from other West African countries. In fact, the ECOWAS Annual Report (2000) shows that a good number of West African Countries have not lifted tariff barriers to trade in both unprocessed good and industrial products for other member countries (See Appendix 2 for ECOWAS Annual Report 2000, on Implementation of ECOWAS Priority Programmes).

As a result of the outward integration of West African Countries and lack of complementarily in trade, what remains is the imposition of various barriers to intra-regional trade in West Africa.

2.5.1 Barriers to Intra-Regional Trade in West Africa

Non-tariff barriers (NTBs) constitute the most significant hindrances to integration, trade and more importantly export supply response capacity of West Africa (Alaba 2006:14). These NTBs include government instruments such as import prohibition and quota restrictions. NTBs can further be classified into official (operationalised by the government) and unofficial barriers. Unofficial NTBs, which directly impedes trade facilitation include bureaucracy, corruption in customs processes, slow port operations, poor roads and communication infrastructures, wastages and thefts at ports, poor storage conditions, harassment by police and other personnel at numerous road blocks within the region, (WTO 2995 and World Bank 2001, in Alaba 2006:4).

Table 2.9 below shows a vivid picture of the official and unofficial barriers to free trade in West Africa as measured by the checkpoints encounters by travelers along the borders of four selected West African Countries.

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Table 2.9: Checkpoints Encountered By Traders

Country	Agency	% who encountered one checkpoint	% who encountered more than one checkpoints
Benin	Customs	53.7	20.3
	Immigration	29.5	12.3
	Police	69.3	4.7
	Health	15.2	0.4
	Military	4.7	0.3
	Unidentified	22.6	5.4
Ghana	Customs	19.6	3.5
	Immigration	20.7	2.2
	Police	7.9	1.4
	Health	10.9	0.5
	Military	0.9	0.1
	Unidentified	0.9	0.6
	Others	1.0	0.0
Nigeria	Customs	22.1	9.4
	Immigration	28.8	2.5
	Police	29.4	2.0
	Health	27.4	0.4
	Military	5.8	0.0
	Unidentified	16.3	0.4
Togo	Customs	53.1	1.9
	Immigration	39.0	2.4
	Police	45.9	0.4
	Health	5.6	0.1
	Military	4.9	0.3
	Unidentified	3.4	0.5

Source: *Called from Ibeanu (2007) Report to CLEEN FOUNDATION (www.CLEENFOUNDATION.org)*

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The table above shows that 53.7% of traders interviewed encountered one customs checkpoint in Benin Republic, while 20.3% encountered more than one customs checkpoint. On same journey, 69.3% encountered at least one police checkpoint, while 4.7% encountered more than one police checkpoint in Benin Republic above. Similar things are obtainable in other West African borders all of which points to the presence of official and unofficial barriers to free movement of goods and trade in the sub-region.

Furthermore, Table 2.10 shows the extent of proliferation of checkpoint along selected West African Countries.

Table 2.10: Checkpoints Along Intra-ECOWAS Highways

Highways	**Distance (km)**	**Checkpoint**	**Checkpoints/Security Post Per 100km**
Lagos – Abidjan	99.2km	69	2
Cotonou – Niamey	1036	34	3
Lome – Ouagadogou	989	34	4
Acera – Ouagadogou	972	15	2
Abidjan – Ouagadogou	1122	37	3
Niamey – Ouagadogou	529	20	4

***Source**: ECOWAS Official Site 2003*

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The above table shows the barriers to trade imposed by checkpoints along West African roads. For instance, in the Lagos Abidijan highway, there exist 7 checkpoints for every 100km while in Lome – Ouagadogou, and Niamey Ouagadogou highways, there are at least 4 checkpoints for every 100km. The same barriers exists along many other intra-West African highways.

The point being made is that because of non-complementarity of goods of member countries, West African countries use all kinds of barriers to prevent their neighbouring West African countries from trading their products in their territory.

2.5.2 The Diminishing State of Intra-Regional Trade in West Africa

Intra-regional trade in West Africa have not only remained insignificant but have continued to diminish drastically. This dismal trend in the rate of intra-regional trade in West Africa led Dr. Mohamed Ibn Chambers, Executive Secretary of ECOWAS to opine that:

> *Right now the estimates are that intra-regional trade among West African Countries is lower than 10% of our trade. That should be much higher in a free trade zone, in a regional grouping designed to bring all the countries under one umbrella, so to speak. So the problems at the borders need to be dealt with seriously to facilitate free trade (and free movement of persons) in the sub-region.*
> *(Interview with IRNNeos.org March 12, 2000).*

The above statement further portrays the diminishing trend of intra-regional trade in West Africa. In fact, empirical data throws more light on the trend of this diminishing level of intra-regional trade. Table 2.11 below shows that intra-regional trade among West African Countries have not only remained low from the 1990s but have dropped from 10.8% of total West African trade in 2002 to 8.2% in 2004. Also see Appendix 2 for a country-by-country trade statistics portraying the diminishing trend of intra-West African trade.

Table 2.11: Intra-West African Trade (1990-2004)

Year	Percentage	Value (US million dollars)
1990	8	1, 532.30
1995	9	1, 874.80
2000	7.6	2, 714.90
2001	8.2	2, 241.50
2002	10.8	3, 135.70
2003	8.3	2,922.00
2004	8.2	3, 910.30

Source: *UNCTAD, 2005.*

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Worse still, in terms of growth of intra-regional trade, unlike other regions of the world that have experienced increase and intensity in their intra-regional trade, West Africa have experienced decline in its growth rate. Table 2.12 below shows the percentage growth of intra-West African trade, from a growth rate of 62.5% in 1992, it dropped to 19.8%, in 1995, to 19% in 1996 and then drastically to 9.1% in 1997.

Table 2.12: Decline in Growth Rate of West African Trade

Year	Percentage
1992	8
1993	9
1994	7.6
2001	8.2
2002	10.8
2003	8.3
2004	8.2

Source*: Economic Commission for Africa, Addis Ababa, Ethiopia.*

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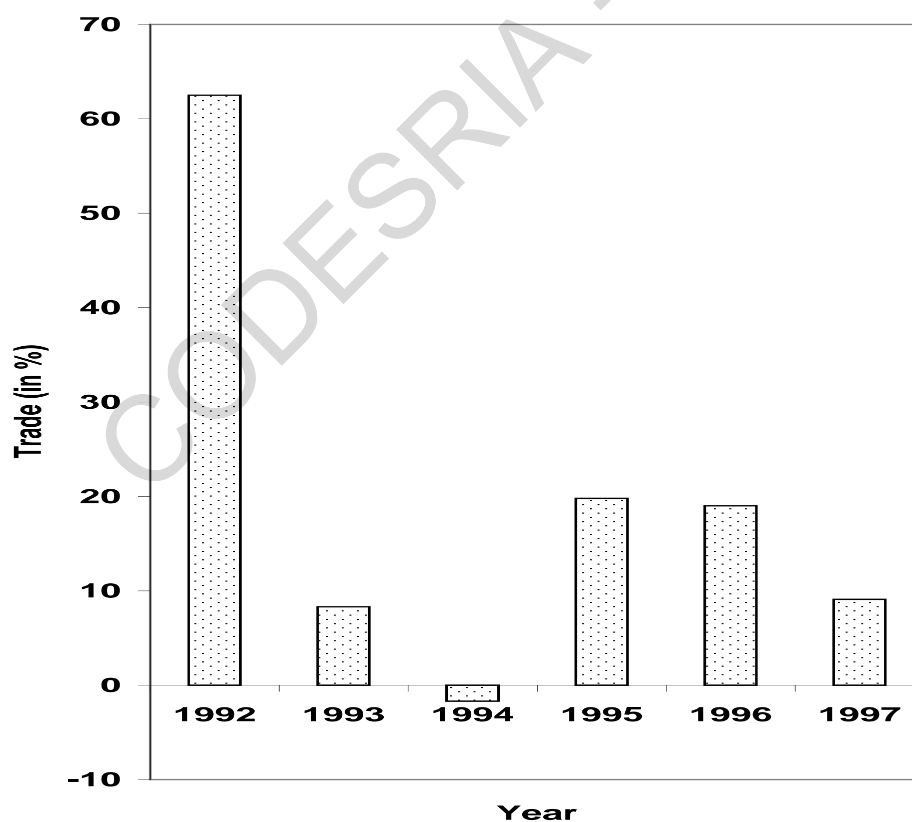
The above table can also be presented in a bar chart below (fig. 2.7) for a more vivid illustration.

Fig. 2.7 : Decline in Intra-West African Trade



This diminishing intra-West African trade is further reflected in the state of infrastructure that is, network of roads and other transportation facilities in the sub-region. A look at Table 2.13 below shows that the sub-region is not well served by a good network of roads and railways that are crucial for the easy movement of goods within the sub-region, this is an indicator to the fact of diminishing intra-regional trade in West Africa.

Table 2.13: Roads and Railway Network in West Africa

Country	Paved Roads (miles)	Unpaved Roads	Unpaved/Paved Ratio	Railway (miles)
Benin	2656	5604	0.46	578
Burkina Faso	2001	1050	0.19	622
Cape Verde	858	242	3.5	None
Ivory Coast	3579	42752	0.08	660
Gambia	932	1708	0.55	None
Ghana	9353	28208	0.33	953
Guinea-Bissau	4964	25306	0.2	1086
Liberia	444	3906	0.11	None
Mali	628	9652	0.06	490
Mauritania	1773	13003	0.134	641
Niger	851	6749	0.12	704
Nigeria	779	9084	0.08	None
Senegal	26005	6100	4.26	3557
Sierra Leone	4214	10366	0.4	904
Togo	1284	10390	0.12	84
Guinea	2376	5143	0.46	525

Source: *CIA Fact Book, Various Issues*

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From the table above, only Niger and Cape Verde have more than three times the mileage of paved roads to non-paved ones. The rest have a ratio below 0.6. Similarly, only Nigeria and Guinea can boast of more than 1,000 miles of railway lines. Four countries – Cape Verde, the Gambia, Guinea – Bissau and Niger have no railway lines at all. All these are indicators of the dismal and diminishing intra-regional trade in West Africa.

Table 2.14 below exposes the composition of commodities exported an imported by West African countries. The table shows the similarity of exports of West African Countries and also tells a tale of the non-complementary in the export composition of

West African Countries. That is, West African countries export virtually same kind of products (unprocessed raw material(s) and import the same kinds of products (finished goods) which non of them can produce.

Table 2.14: Trade Composition of West African Countries

	Country	Primary Exports	Primary Imports
1	Benin	Cotton, crude oil, palm products, cocoa	Foodstuffs, capital goods, petroleum products
2	Burkina Faso	Cotton, livestock, gold	Capital goods, foodstuffs, petroleum
3	Cape Verde	Fuel, shoes, garments, fish hides	Foodstuffs, industrial products, transport equipments
4	Cote d'Ivoire	Cocoa, coffee, timber, petroleum, cotton, bananas, pineapples, palm oil, fish	Fuel, capital equipment, foodstuffs
5	Gambia	Peanut products, fish, cotton lint, palm kernels	Foodstuffs, manufactures, fuel, machinery and transport equipment
6	Ghana	Gold, cocoa, timber, tuna, bauxite, aluminum, manganese, ore, diamonds	Capital equipment, petroleum, foodstuffs
7	Guinea	Bauxite, alumina, gold, diamonds, coffee, fish agricultural products	Petroleum products, metals, machinery transport equipment, textiles, grain and other foodstuffs.
8	Guinea-Bissau	Cashew nuts, shrimp, peanuts, palm kernels, sawn timber	Foodstuffs, machinery and transport equipment, petroleum products
9	Liberia	Rubber, timber, iron, diamonds, cocoa, coffee	Fuels, chemicals, machinery, transportation equipment, manufactured goods; foodstuffs
10	Mali	Cotton, gold, livestock	Petroleum, machinery and equipment, construction materials, foodstuffs, textiles
11	Niger	Uranium ore, livestock, cowpeas, onion	Foodstuffs, machinery, vehicles and parts, petroleum, cereals
12	Nigeria	Petroleum and petroleum products (95%), cocoa, rubber	Machinery, chemicals, transport, equipment, manufactured goods, food and live animals.
13	Senegal	Fish, groundnuts (peanuts), petroleum products, phosphates, cotton	Foods and beverages, capital goods, fuels
14	Sierra Leone	Diamonds, retile, cocoa, coffee, fish (1999)	
15	Togo	Re-exports, cotton, phosphate, coffee, cocoa.	Machinery and equipment, foodstuffs, petroleum products.

Source: *Central Intelligence Agency, World Fact in Ajayi (2005:65).*

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Evidently, Table 2.14 above presents a vivid picture of reasons why West African Countries trade more with developed capitalist countries than among West African Countries. Most of the imports of West African Countries are products that they can get only from the Western capitalist countries while most of export commodities of West African Countries are commodities that can only be utilized by the developed countries in their industries. For instance, the table reveals that over 47% (7) West African countries have cotton as one of their major exports, while over 40% (6) West African Countries have cocoa as a major export commodity. This further shows the similarity in their export commodities, the same is the case in their import commodities. All this have been engendered by trade liberalisation and accounts for the diminishing intra-regional trade in West African.

This diminishing intra-regional trade in West African and the consequent increased trade with Western capitalist countries also affect the trade balance of West African trade. Empirical evidence shows that for the past many years, West African Countries have experienced balance at trade deficits. This is mainly because of their specialization in primary goods, lack of intra-regional trade and outward orientation of their exports. Table 2.15 presents statistics for trade deficits of West African Countries between 1997 to 2005.

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Table 2.15: Trade Balance 9in % it GDP) of West African Countries 1997-2005

	Country	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**1997/2005 Average**
1	Gambia	- 16.5	-18.8	-15.9	-15.0	-12.0	-16.9	-16.9	-19.6	-19.6	-15.9
2	Ghana	-17.9	-11.1	-11.2	-16.5	-18.2	-10.7	-10.3	-18.2	-18.5	-15.3
3	Guinea	2.3	1.9	2.2	2.7	5.3	3.5	4.0	2.9	3.1	3.1
4	Nigeria	16.2	6.3	7.5	29.1	17.4	9.5	17.0	25.3	26.2	17.2
5	Sierra Leone	0.7	0.2	-3.8	-10.1	-10.9	-15.0	-15.0	-15.0	-12.8	-9.1
6	Benin	-10.9	-9.1	-10.5	-11.3	-10.7	-11.6	-11.1	-10.5	-9.9	-10.6
7	Burkina Faso	-10.3	-10.1	-11.0	-11.9	-10.0	-9.3	-8.5	-8.6	-9.5	-9.9
8	Cote d'Ivoire	14.8	13.1	14.7	13.5	13.7	23.7	21.8	21.2	22.2	17.6
9	Guinea Bissau	-9.1	-22.2	-64	-2.8	-14.3	-8.3	-0.8	-4.9	-9.9	-7.6
10	Mali	0.6	0.1	-1.2	-1.8	-0.3	5.7	-0.3	-0.1	-2.8	0.0
11	Niger	-1.5	-2.9	-2.1	-2.6	-3.0	-4.2	-4.9	-4.6	-4.6	-3.4
12	Senegal	-6.2	-6.2	-6.7	-7.9	-9.3	-10.8	-12.6	-12.0	-10.8	-9.2
13	Togo	-9.5	-8.4	-6.2	-9.2	-12.2	-10.5	-13.5	-13.5	-13.5	10.7

Source: *IMF, African Department Data Base, March 2005 and WEO, 3/31/2005 in Nnanna (2006:36).*

The above table shows that on the average, almost all West African Countries experience balance of trade deficit within the period.

In summary, this chapter argues that contemporary trade liberalization as anchored on the neoliberal framework of the WTO has no doubt dismantled all territorial barriers to cross border trade. However, despite the growth in trade experienced by the developed countries of the world, West Africa remains marginalized as its share of world trade has continued to decline. Furthermore, the sub-region has been integrated into the global market via trade liberalization in such a way that it specializes and supplies only primary commodities to the world market. This makes the products/commodities of member countries of West Africa to be similar and non-complementary, this similarity and non-complementarities of products of West African countries hinders exchange of goods and intra-regional trade in the sub-region.

Hence, the analysis and empirical data presented in this chapter indicates that there is a strong link between trade liberalization and the diminishing intra-regional trade in West Africa. This validates our first hypothesis.

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CHAPTER THREE

LIBERALISATION OF GLOBAL FINANCE AND MONETARY COOPERATION IN WEST AFRICA

3.1 Liberalisation and Integration of Global Financial Markets

Liberalisation of global finance which is one of the major thrusts of contemporary globalisation and also given impetus by the Washington Consensus, involves two basic interconnected processes which are: dismantling of regulatory control of the nation-states over financial markets through liberal financial policies, and the consequent integration of these liberalised financial markets into global financial structure regulated by global financial institutions which ensures free and unregulated flow of finance globally.

The liberalization of global finance have turned the world into a "transnational economy", one that is shaped and driven not by production and trade; but by money flows (see Drucke 1989 cited in Hoogvelt 1997:162).

The globalisation and liberalisation of world's financial markets is one of the most significant events of contemporary globalisation. While the integration of the global financial markets, means that money can now be raised, borrowed, lent, invested and transferred around the globe at the press of a computer button. Deregulation of global finance implies that the institutional separations between different functions of money, and by corollary between different ways in which money can be used as a source of making more money are disappearing (Hoogvelt, 1997:164). This simply implies the dismantling of state regulatory policies on the flow of global finance coupled with the emergence of global institutions that do no recognise or respect the right of national governments to control their currency.

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As a corollary of the above, Patnaik, (1999:1) as cited in Okolie, (2007) noted that:

> *The essence of financial liberalisation consists in three sets of measures: first, to open up a country to the free flow of international finance; secondly, to remove controls and restrictions on the functioning of domestic banks and other financial institutions so that they properly integrate as participants in the world financial markets; and thirdly, to provide autonomy from the government to the Central Bank so that its supervisory and regulatory role vis-à-vis the banking sector is dissociated from the political process of the country, and hence from any accountability to the people.*

While the above position holds true, it is pertinent to note that the liberalisation of global finance has been driven by several factors which includes *inter alia*: the development of technology, especially electronic communication (facilitating massive cross-border movements of funds), the emergence of new financial instruments (such as derivatives) and financial institutions; and the collapse of the international fixed exchange rate system (Khor, 2001:42).

Thus, with the liberalisation of global finance, the days when national authorities could stabilize financial markets through banking regulations, reserve requirements, deposit insurance, limits on interest rates, and the separation of commercial and investment banking are all but gone. What has happened on international financial markets is quite spectacular as capital has become unprecedentedly mobile and the value of international financial transaction has grown explosively. The amount of transactions in foreign exchange now exceeds a billion dollars a day; that of international stock trading comes to about US $1,500 million a day especially as capital is transferred around the world in a matter of seconds (Iglesias 1999:3).

Various countries of the world especially the developing countries of Africa have been drawn into the process of financial liberalisation partly due to the mainstream view that there are great benefits to be derived from opening up to inflows of international capital and mainly through various other the mechanisms employed by the contemporary global financial institutions like the Bretton Woods Towns (IMF and World Bank).

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3.1.1 Liberalisation of Global Finance: The Perils

Libralisation of global finance is not without great risks especially for the developing countries of the world. These risks includes among others:

i. Financial Instability and Crises

> *The (financial) crises has shown that when policies falter in managing integration and regulating capital flows, there is no limit to the damage that international finance can inflict on an economy...*
>
> *(Akyuz, 2000 in Khor 2001:45).*

The above quotation points to the fact that the much vaunted liberalisation of global finance poses serious risks especially for the developing countries.

Since the era of liberalisation of global finance especially with the beginning of the 1990s, financial crises have succeeded one another at a relatively close frequency. It is pertinent to note that the contemporary characteristics of financial globalisation, is the recurrence of parallelism between monetary and banking crises (Carmen and Graciella 1996).

Liberalisation of global finance engenders large inflows of short-term capital which leads to an asset price bubble, which in turn bursts when speculative currency attacks and large capital outflows causes sharp currency depreciations which spread via contagion to other countries. This depreciations in currency multiplies the burden of servicing foreign debt and puts the indebted countries in financial crisis. This was the experience of many developing countries sequel to their integration into the process of global finance in the 1990s.

These financial crises entails real important financial costs notably for developing countries with small and fragile financial systems that have been opened to such global waves of finance. Thus in 1994 to 1995, the crisis of the Mexican PESO led to what could be termed the tequila crisis. Here also, the results was on the one hand a financial crisis in the major stocks exchange translating itself with an increased recession on the emergent markets, and on the other hand a banking crisis in Argentina, Paraguay and Venezuela. In West Africa, one would not forget to mention that one of the factors that led the countries of the franc zone to devalue the CFAF in 1994 was the degree of capital flight in 1991-93 brought about by liberalisation of global finance.

Furthermore, the "dollarization" of African economies as a result of liberalisation of global fiancé brings severe financial crises for African countries. This is because it tends to reinforce the loss of value of African currencies which results as both nationals and foreigners transact using dollar, and as prices on local markets start to be quoted in dollars. More so, the use of dollar means that African governments have lost revenues obtained through "Seignorage" by having the monopoly to print money. Another negative side effect of the currency instability engendered by liberalization of global finance has been the degree of instability experienced by African currencies as reflected

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in the sharp fall of the nominal values of many of these currencies against the United States dollar. Among the currencies whose values fell sharply was the Zairan currency, the Zambian Kwacha, the Uganda shilling the Mozambican metrica, and the Sudanese Pound. The fall of the Zairan currency was phenomenal, while the Zambian Kwacha dropped from 2mk 5.7 to the dollar at the end of 1985 to 2mk 909.1 by the end of 1995. similarly, the value of the Uganda shilling fell from UGX 14.0 to the dollar to UGX 1010 to the dollar during the same period. The value of the Mozambican metica plummeta from M2M 4.0 to the dollar at the end of 1985 to M2M 11,1000 to the dollar by the end of 1995 and that of the Sudanese Pound from SDP 2.5 to the dollar to SPD 558.2 to the dollar by end of 1995

All these points out the financial crises and instability brought about by the liberalisation of global finance especially for the developing African countries.

ii. Loss of Monetary Sovereignty

Another risk presented by liberalisation of global finance is the loss of sovereignty by the individual states in the area of financial/monetary policy making. This is because liberalisation of global finance brings about the influx of various financial agents into the country all of which plays significant role in determining the financial/monetary policies of the states. Hence, market forces and other international financial institutions plays major roles that all influences and determines the financial policies of states (especially the developing countries).

Furthermore, with the liberalisation of global finance, there is the push towards an international financial integration where interest rates of individual national currencies are determined by the international market forces. In such a situation, states are unable to unilaterally determine their financial policies especially issues of interest rates and thereby losses their sovereignty in such area.

Again, in a globalised financial market, it is the international financial institutions that determines that who gets what, when and how in the financial sector does not authorize friction between itself and various other national financial markets. Thus, governments are obliged to pursue liberalised policies on budgetary and monetary aspects in order to avoid the sanctions of the international financial institutions. Therefore, what

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remains is the withdrawal of the state from the activity of financial intermediation with the conversion of the "development banks" into regular banks, and the privatization of the publicly owned banking system on the grounds that their presence is not conducive to the dominance of market forces.

Apparently, the "dollarisation" of most African currencies is a clear usurpation at the countries' sovereignty in the area of monetary policy making as policies made in the United States determines the monetary practices in African countries. For instance, most developing countries of Africa hold their reserves in US treasury bills and other safe securities, this further impinges on the financial policy making autonomy of these countries.

3.1.2 The Role of International Financial Institution in the Liberalisation of Global Finance

With the dismantling of state control over financial markets, the IMF and World Bank stands out as the international financial institutions that plays vital roles in the intensification of the liberalisation of global finance especially in the area of integrating the developing world into the global financial market through various instruments, the most prominent of which is the Structural Adjustment Programme imposed on developing African Countries.

Furthermore, the IMF has been involved in the surveillance of exchange rate and financial policies of developing nations especially during the debt crises of the 1990s in which most of these developing countries adopted IMF policies/conditionalities, it gave IMF the opportunity to intrude on the policy areas that were once reserved as sovereign for the states thereby snatching the policy makers powers of the state and integrating them to the global financial market.

According to Hoogvelt (1997:171):

> *Even if the structural adjustment programmes have achieved little or nothing from the point of view of national development and the improvement of standards of living of the masses in African countries, the programmes have been a resounding success when measured in terms of the acceleration of the process globalisation (liberalisation of global finance).*

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The above citation is a pointer to the fact that through the application of its stringent monetary and fiscal policies, the IMF intensifies the process of liberalisation of global finance through ensuring that states "hands off" from the financial sector and allows the market forces to prevail. For example, the early 1990s was characterized by massive liberalisation of exchange rate policy; removal of foreign exchange restrictions and the move towards market-determined exchange rate requires all of which occurred primarily in the context of implementation of IMF/World Bank Sponsored Structural Adjustment Programmes (SAP).

3.2 Mechanisms and Strategies for Monetary Cooperation and Integration in West Africa

Here we shall examine the various mechanisms and strategies that have been employed by West African States in achieving monetary cooperation and integration in the sub-region. This will enable us see in the subsequent sections how these mechanisms have been undermined by liberalisation of global finance.

3.2.1 Origin and Dynamics of Monetary Integration in West Africa

Financial and monetary cooperation among members of West African countries predates their independence. In British West Africa, for instance, legislations were promulgated demonetizing several of the existing currencies in an attempt to make the British currency supreme (see Uche, 2001:8). Again, the geographical proximity of the colonies made monetary cooperation easy. Thus, the monetary policy of the four British West African colonies was administered by the West African Currency Board (WACB) which was established in 1912, with its headquarters in London. The WACB was charged "to provide for and to control the supply of currency in the British West African Colonies, Protectorates and Trust Territories". It is however pertinent to know that fostering monetary cooperation among West African Countries was never the objective of the colonial lords, therefore the cooperation in monetary issues achieved at such period was only incidental outcome of their exploitative tendencies.

The francophone West African Countries also had similar pre independence history in the area of monetary cooperation. By the 1930's, France had undertaken to

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issue currencies in each colony that would be firmly linked to the French franc. Many of these currencies in the French African colonies were subsequently consolidated into "le fran des colonies Francaises d'Afrique" (CFA Francs). These CFA francs were issued by the "Caisse Centrale de la France d'outre mer (CCFOM), the Central Bank for Overseas France). The objective for setting up this broad franc zone included (i) convertibility into French Francs at a fixed parity; (ii) free capital mobility throughout the zone; (iii) French Treasury ; (iv) the establishment of a common track and financial policy vis-à-vis the rest of the world and ; (v) guarantee of convertibility by France through the establishment of "operations accounts" for each colonial central bank with the French Treasury (Boughton, 1991:1-2 in Uche 2001:9).

As a result of their different colonial histories, it is not surprising that there was very little monetary cooperation between francophone and Anglophone West African Countries. However, while in the francophone zone, countries held tenaciously to the financial structures developed by the colonial masters, countries of the Anglophone zone pulled out of the colonial financial structure which they saw as financial hallmark of colonialism. For instance in 1957, Ghana pulled out of the WACB and established its own Central Bank and Currency, Nigeria followed suit in 1959, Sierra Leone in 1963 and the Gambia in 1971.

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3.2.2 Mechanisms for Monetary Cooperation under ECOWAS

With the attainment of independence West African countries decided to take over control of their future in respect of monetary cooperation in the sub-region, to this end, various mechanisms and strategies were evolved under the auspices of ECOWAS to facilitate monetary cooperation among West African Countries. Among the mechanisms put in place to achieve this objective are:

(i) **West African Clearing House (WACH):** Article II of the Agreement concerning the establishment of the West African Clearing House provides that the objectives of the Clearing House shall be to;

(a) promote the use of the currencies of the members of the Clearing House for sub-regional trade and other transaction;

(b) bring about economies in the use of the foreign reserves of the members of the Clearing House;

(c) promote monetary cooperation and consultation among the members of the Clearing House.

Operationally, the payment mechanism of WACH was similar to the clearing transaction by national banks of cheques submitted by commercial banks, with the clearing house acting like a national central bank and the clearing banks acting like banks.

At the time WACH was introduced, there were 10 currencies most of which were inconvertible, being used by West African Countries. These currencies fell under two main monetary zones: the West African Sterling Area and the Franc Zone. The West African Sterling Area Comprised of Gambia, Sierra Leone, Ghana and Nigeria while the Franc Zone comprised of Mauritania, Mali, Burkina Faso, Cote d'Ivoire, Togo and Benin. At least three of the countries in the region did not belong to any of these two monetary regimes already mentioned (Guinea, Liberia and Guinea Bissau).

Within the Franc Zone financial transactions were not restricted as there was free movement of capital within the area and capital movement to non francophone West African States were restricted. In the Sterling Area, however, every country had its own central bank, issued its own currency and followed independent monetary, exchange and credit policies (Uche 2001:38).

Essentially, the WACH was established in 1975 to facilitate multilateral clearing and payments arrangements in West Africa. According to WACH as cited in Uche (2001):

> *... the arrangement envisages that all transactions will go through commercial and other banks as usual. The procedure is the commercial bank which is effecting a customer's payment order in favour of another individual in another country in the sub-region delivers the order to its central Bank in its own currency. The Central Bank in question notifies the WACH and at same time, sends the order to the Central Bank in the beneficiary's country...*

As laudable as this mechanism is, it did not achieve much in facilitating monetary integration in the sub-region. The reason for this is however not the subject of this

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section. We shall turn to other mechanisms and strategies put in place by West African Countries to facilitate monetary cooperation and integration in the sub-region..

(ii) ECOWAS Monetary Cooperation Programme (EMCP)

Adopted in 1987, the EMCP aims to facilitate the establishment of a single monetary zone in West Africa, a viable monetary union was to be nurtured under the auspices of EMCP. Its general objective a harmonised monetary system and the strengthening of the economies of member states in the process. The introduction and implementation of a set of convergence criteria was expected to pave the way for a system of exchange rate management that would culminate in the establishment of a single monetary zone and a common central bank that would implement the common monetary policy of the sub-region.

Under the EMCP, the West African Clearing House (WACH) was to be transformed into a specialized monetary agency of ECOWAS to improve its payment mechanism. Through this mechanism, a common convertible currency would subsequently be managed by a common central bank that would be the sole monetary authority in the sub-region. To achieve this and other objectives, a number of strategies were adopted. These included exchange rate realignment and harmonisation; adoption of an ECOWAS exchange rate mechanism; liberalisation of exchange controls and maintenance of fiscal discipline; and adoption of a market-oriented approach to monetary management.

Specifically, a set of primary and secondary convergence criteria was to be satisfied by member countries before, they could join the monetary union. The primary convergence criteria are the maintenance of exchange rate variability between 5 and 10%; single digit inflation; budget deficit to GDP ratio of 3-5%; and a ceiling of 5-10% of the previous year's tax revenue on central bank financing of budget deficits.

In December 1999, the Heads of State and Government adopted a revised set of macroeconomic convergence criteria in furtherance of the objective of monetary integration. Member countries were urged to apply the necessary measures to ensure compliance before the 2004 target date for the establishment of a single monetary zone for the sub-region. A comparable monetary zone to the existing West African Economic

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and Monetary Union (WAEMU) was to be created to push the process. It was also considered unfair to arrange a merger between an organized zone that is working and an unorganized coalition of countries (see Ojo, 2001:143).

Therefore, the intension at this point is to merge two monetary zones in West Africa (WAEMU and WAMZ) into a single monetary union when each of the two zones have been strengthened. Based on this, we shall now examine the mechanisms and strategies under each of these monetary zones.

iii. The West African Economic and Monetary Union (WAEMU)

This is one of the monetary zones existing in West Africa, it is the most organised monetary zone formed in 1994 by francophone West African Countries. Its members include: Benin, Burkina-Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo.

One of the objectives of the WAEMU was to achieve monetary integration through the harmonization and coordination of their macroeconomic policies, to this end, they adopted a set of convergence criteria, established a common external tariff regime. The convergence criteria adopted in 1994 included a ceiling on civil service wage bill of 400% of tax revenue, a ceiling on public investment financed by primary basic fiscal surplus of not less than 15% of tax revenue and a declining or unchanged level of domestic and external arrears. The criteria were later enhanced in 1999, with the adoption of a more stringent indicators under the convergence, stability, growth and solidarity pact. The pact required the member countries of WAEMU to aim at a balance or surplus, in the basic fiscal balance, an inflation rate of three percent or less, domestic debt/GDP and external debt/GDP ratios of below 70% and a non-accumulation of both domestic and external debt arrears (Nnanna 2006:19-20).

A lot of strategies have been adopted by members of the WAEMU since its adoption in order to achieve monetary cooperation/integration themselves. For instance, the 1995 PARMEC law for savings and credit institutions laid the basis for a regulatory framework for financial institution in the region. The regional central bank (Banque Centrale des Etasts de I'afrique de I'Quest – BCEAD) also introduced in 1994 a microfinance monitoring system (Decentralized Financial System (DFS) monograph).

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Furthermore, the regional capital market includes a common inter bank market and a single market (Bourse Regionale des Valeurs Moblieres-BRVM) for both bond and stock trading and fund management which is supervised by a regional securities commission (Council Regional de I'Epargne Publique et de Marches Financiers – CREPMF). In addition, pension funds have been supervised since 1996 by a regional body – Conference Interafricaine de la Prevoyance Sociale – CIPRE (SY, 2006)

Since 1996, a regional commercial legal framework (Organisation Pour I'Harmonisation du Driot des Affaries en Afrique –OHADA) has been put in place while accounting standards for corporations have been harmonised in the context of the West African Accounting System. In the area of microfinance, a regional institution (Banque Regionale Solidarite') with regional shareholders has been created and branches are being opened in member countries.

From the forgoing, financial integration in WAEMU monetary zone of West Africa is advanced when it comes to market participants facing a single set of rules. Progress has also been encouraging in broadening similar access to capital market instruments. Generally, the WAEMU provides a mechanism for monetary integration in the francophone West Africa.

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iv. West African Monetary Zone (WAMZ)

The idea of a second monetary zone in West Africa was championed by Nigeria (Under President Obasanjo) and Ghana (Under Jerry Rawlings). In December 1991, the two countries met in Accra and agreed to set up a second monetary zone in West Africa that would embrace all the non CFA Franc West African Countries. In April 2000, The Gambia, Ghana, Guinea, Liberia, Sierra Leone and Nigeria signed an agreement (the Accra Declaration) for the establishment of a second monetary zone in West Africa. This second monetary zone has since been named the West African Monetary Zone (WAMZ) and is expected to come into force in January 2003 with the establishment of a West African Central Bank and the introduction of a Common Currency for the participant countries.

The West African Monetary Institute (WAMI) has also been set up to help achieve the above objectives by 2003. Specifically, WAMI has been charged with the following functions:

i. To provide the framework for intense cooperation between member central banks in WAMZ and to foster the feeling of ownership of the future central bank.

ii. To harmonize the laws and regulations of financial markets and institutions in member countries. Monetary policies and accounting practices of member countries are also to be harmonized.

iii. To study the issue of exchange rate parities within WAMZ and recommend the appropriate exchange rate mechanism and parities for the existing currencies in the second monetary zone.

iv. To monitor the state of convergence of member countries vis-à-vis the prescribed benchmarks.

v. To promote the development of a payment system in WAMZ in order to facilitate the implementation of a second monetary policy.

vi. To design the new currency to be issued by West African Central Bank and to prepare for its implementation

vii. To embark on a programme of sensitization of the citizens of the participating countries in order to create wide public support for the introduction of the new currency.

viii. To create the conditions for a smooth transition to the new common currency by ensuring that: regulation in member countries are consistent with the introduction of a new currency; prices one quoted in the new currency as well as any other practical issues that will facilitate the smooth introduction of the new currency and the withdrawal of the old currencies. Beside on the above, WAMI has developed convergence criteria, similar to those of WAEMU, for the member countries. Specifically, WAMI has set out four primary and six secondary convergence criteria for member countries to adopt before the achievement of a single currency (Uche, 2002:22).

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WAMZ Primary Convergence Criteria

These are:

i. Single digit inflation rate by 2000 and 5.0 percent by 2003;

ii. Fiscal deficit (excluding grant)/GDP ratio of equal to or less than 5 percent by 2000, and 4.0 percent by 2002;

iii. A ceiling on central bank financing of budget deficit of equal to or less than 10 percent of previous year's tax revenue by 2000; and

iv. Maintenance of official foreign reserves of equal to or greater than 3 months of imports by 2002; and at least 6 months by 2003.

WAMZ Secondary Convergence Criteria

The following six secondary criteria would also be observed in support of the primary criteria:

i. Prohibition of new domestic debt arrears and liquidation of all existing ones by end of 2003;

ii. Tax revenue to GDP ratio to be equal to or more than 20%;

iii. Wage bill to total tax revenue ratio to be equal to or less than 35%'

iv. Public investment as a ratio of total tax revenue to be greater than 20%

v. Maintenance of exchange rate stability; and

vi. Achievement of positive real interest rates.

Just like other mechanisms and strategies adopted for achieving monetary cooperation in the sub-region, the WAMZ objectives have not been achieved. The reasons for this would also be discussed in section 3.4 of this chapter.

3.3 Role of Regional Monetary Cooperation in the Development of Regional Integration

Assessing the role of monetary cooperation is pertinent at this juncture as it will help us evaluate subsequently, how liberalisation of global finance, by impacting negatively on the mechanisms and strategies of monetary cooperation also impinges on regional integration in West Africa .

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Monetary cooperation plays a significant role in the development of regional integration in West Africa, these roles are analyzed below:

1. Reduced Transaction costs and Increased Intra-Regional Trade: An initial benefit from regional monetary cooperation is the elimination of transaction costs. This is because there is no longer need for member countries of a monetary union to convert currencies from one form to the other when trading among themselves. In principle, the costs involved in exchanging different currencies constitute a net loss for a nation as a whole. So with the formation of monetary union with single currency and with the subsequent elimination of transaction costs encountered when trading with different currencies, intra-regional trade increases because trade among members is made easier and cheaper. This goes a long way in fostering regional integration.

2. Reduced Uncertainty and Increased Regional Investment:

Another role of monetary cooperation in the development of regional integration is that it reduces the degree of uncertainty faced by investors in the area of exchange rate variabilities and fluctuations among countries of the sub-region thereby enhancing the level and growth of investment in the sub-region. This is mainly because investment is enhanced when exporters and importers, and investors alike face lower risks from exchange rate fluctuations and financial instability.

A region with harmonized monetary policies will facilitate mobility of real capital among member countries which is necessary for growth of investment within the region and which also goes a long way in enhancing the integration of financial markets. For example, if investors know that the rate of inflation with a sub-region is the same and that tax policies of member countries are the same and cannot be changed abruptedly, then they can easily invest and move their investments among member countries.

3. Reduced Market Segmentation within the Sub-Region: Different currencies may allow or make it easier for companies to discriminate in their prices, that is, sell goods at different prices in different countries within a sub-region (Hargreaves and McDermott, 2000:24). A common example is the fact that identical cars cost different amounts in different African Countries. Like Nigeria and Benin Republic. In Europe with enhanced

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monetary cooperation, many consumers are able to shop and buy across borders fairly costlessly.

3.4 Liberalisation of Global Finance: Implications for Monetary Cooperation in West Africa

despite the laudable mechanisms and strategies put in place by West African Countries to enhance monetary cooperation and integration in the sub-region, available evidence shows that monetary cooperation is still far from becoming a reality. The situation is further worsened by the liberalisation of global finance which has impacted negatively on the existing mechanisms and strategies of monetary integration. In fact liberalisation of global finance acts as a centrifugal force that undermines efforts aimed at harmonizing monetary policies of countries of the sub-region.

What remains in the sub-region is disintegration and lack of harmony in monetary/fiscal policies of countries of the sub-region. We shall therefore examine how liberalisation of global finance has acted as centrifugal force upon the mechanisms and strategies of monetary cooperation in West Africa, and also assess the state of monetary cooperation in the region.

3.4.1 Liberalisation of Global Finance: A Centrifugal Force

As noted earlier, liberalisation of global finance also entails removal of state control on financial institutions, and the dominance of market forces in the financial sector of the economy.

As a result; while most West African countries have deregulated their financial markets, they have not be able to meet the various convergence criteria needed to harmonize their monetary policies at the sub-regional level. More so, the dominance of market forces in the financial sector has made it possible for some other international financial agents to influence the financial policies of the states in such a way that negates monetary cooperation at the regional level. This impacts negatively on the mechanisms and strategies of monetary cooperation in West Africa as member countries whose financial sectors are influenced by international market forces and other non-state agents

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finds it difficult to meet the target criteria needed to form a monetary union or harmonize monetary policies at the sub-region level.

Again, the Structural Adjustment Programmes as an instrument used by IMF in intensifying liberalisation of global finance have also impinged on the mechanisms and strategies of monetary integration in West Africa. According to WAMA (1998) cited in Uche (2001:33):

> *The objectives of the SAPs, although quite compatible with those of ECOWAS Monetary Cooperation Programme, have a global orientation, rather than the integration of the sub-region. They therefore orient the economics of the sub-region towards the major world economies…*

The above citation shows that IMF as an institution that engenders liberalisation of global finance impedes on the mechanisms and strategies of monetary cooperation in West Africa by not only undermining the sovereignty of these countries in financial policy making but also by orienting them externally in a manner that negates cooperation an integration at the sub-region level.

3.4.2 State of Monetary Cooperation in West Africa: A Tale of Disintegration

Here we evaluate the dismal state of monetary cooperation/integration in West Africa with a view to showing that monetary cooperation is still very poor in West Africa. This disintegrated nature of West African Countries in terms of monetary cooperation is largely due to the negative impacts of liberalisation of global finance on the mechanisms and strategies of monetary cooperation of West Africa.

As a result, there still exists inconvertibility of the exiting currencies, and also legal impediments to cross listing of stocks has hindered progress on financial markets integration (Nnanna, 2006:12). Most West African Countries have not also been able to meet the convergence criteria needed for monetary cooperation in the sub-region.

An assessment of ability of countries of the West African Monetary Zone (WAMZ) to meet the primary and secondary zone shows that all the criteria for the formation of a monetary zone have not been completely met by all the countries. See Tables 3.1 and 3.2 for details.

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Table 3.1 The State of Primary Convergence Criteria as at 2000

	CRITERIA				
Country	**Budget Detail/GDP Ratio**	**Inflation Rate**	**Central Bank Financing of Budget Deficit**	**Cross/reserves/Annual Import**	**Number of Criterion Met**
Benchmark	Less than or equal 5%	< 10%	≤10%	≥3 months	
Gambia	3.84%	0.00%	2.94	2.94	3
Ghana	10.74%	8.20%	0.53	0.53	1
Guinea	5.99%	6.20%	1.15	1.15	2
Nigeria	1.80%	0.00%	4.30	4.30	4
Sierra Leone	17.30%	1.8%	1.26	1.26	2

Source: http://www.ecowas.int/wami-imaol

Table 3.2 The Stat of Secondary Convergence Criteria as at 2000

	CRITERIA						
Country	**Domestic Arrears**	**Fiscal/Receipts/ GDP ratio**	**Salary mass/total**	**Real Exchange Stability**	**Positive Real Interest Rate**	**Public Investment from within**	**No. of Criteria Satisfied**
Benchmark	0%	>20%	< 35%			>20%	
Gambia	N/A	3000000 000%	233.33%	75.61	12.00	0.0	2
Ghana	7.70	4.74%	1230.81%	0.00	- 3626.00	1273.34	1
Guinea	161.00	209.89%	0.00	0.00	- 175 470	0.03	2
Nigeria	N/A	28.10%	14.20%	0.00	0.00	22.00	3
Sierra Leone	0.00	191.10%	16.29%	0.00	14865.00	8.43	3

Source: http://www.ecowas.int/wami-imao/

The tables above presents data on convergence indicators of countries of the second monetary zone used to measure the extent to which these countries have met the

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criteria needed for the formation of a monetary union – no country met all the primary and secondary criteria, the case of Ghana is worse. Measured against the required criteria as stipulated by the West African Monetary Institute; no country met all the four convergence criteria as at 2000. For instance, the primary convergence criteria stipulates that fiscal deficit/GDP ratio of countries should be equal to or less than 5% by 2000, and 4.0 percent by 2002, only Nigeria met this requirement while other members could not meet up.

Worse still, the divide between the francophone countries and the Anglophone has continued to intensify over monetary issues. This is partly because there is no required restraint mechanism to impose sanctions on member countries whose monetary and fiscal policies goes contrary to that of monetary integration programme of the sub-region. Therefore, for the francophone West African Countries, the pegging of the currency to the Euro, with the support of France gives France the authority to act as agency of restraint to these countries (Uche 2002). This is a big problem to the prospect of monetary integration in West Africa because the current agreement France has with its EU partners, with respect to its monetary relationship with francophone countries is unlikely to permit monetary integration of the francophone countries with other West African Countries.

Based on the above, it is difficult to see how meaningful progress can be made on the West African monetary integration project since it is unlikely that the francophone countries will be willing to forfeit the current arrangement with the EU for wider cooperation with non-francophone countries.

While the francophone pegs their currency on the Euro, the Anglophone have decided to use the US Dollar as the anchor currency under the Exchange Rate Mechanism (ERM). This means that while France acts as restraint mechanism in francophone countries, U.S will act as restraint mechanism on the Anglophone countries thereby engendering more of dis-integration and antagonism in the area of finance instead of cooperation in the sub-region.

Generally, the mechanisms and strategies of monetary cooperation and integration in West Africa have suffered a lot of set backs imposed by the liberalisation of global finance, this has delayed its consistent implementation. It has brought about the inability

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of member countries to adopt the desired policy frameworks that would lead to convergence; inadequate political commitment to the mechanisms and strategies for monetary cooperation; and engendered different stages for monetary harmonization marked by the realities of the existence of CFA Franc zone group of eight countries on the one hand with their currency pegged to the Euro via France, and other Anglophone countries with various currencies that are still inconvertible. As a result, the target dates for the single monetary zone in West Africa have been shifted various times, from 1992 to 1994, 2000 and 2004 (see Ojo, 2003:142).

In fact, Ogunkola (2001) cited in Aryeetey (2004:23) noted that even if all the convergence criteria were to be met by all West African Countries it was still doubtful that a stable regional currency area would be achieved given the fact that economic restructuring (required for financial integration) was a long term phenomenon.

In final analysis, this chapter shows that liberalization of global finance vitiates the financial/monetary policy making autonomy of West African states and tends to make it possible for the financial/monetary policies of these countries to be determined and influenced by International Financial Institutions like IMF and other Western Capitalist countries (especially France) on which the currencies of most West African countries are anchored. This makes it difficult for West African countries to harmonize their financial policies at the sub-regional level, and to meet the necessary convergence criteria needed to form a monetary union. As a result, the noble mechanisms and strategies put in place by West African countries to foster monetary cooperation and integration have not performed efficiently to achieve their set objectives. This corroborates the argument of Uche (2001:33) that IMF programmes tends to have global orientation rather than facilitation of financial integration in West Africa.

Based on the argument of this chapter, we affirm the validity of our second hypothesis that the liberalization of global finance impacts negatively on the strategies and mechanisms of monetary cooperation and integration in West Africa.

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CHAPTER FOUR

LIBERALISATION OF INVESTMENT AND FOREIGN DIRECT INVESTMENT (FDI) IN WEST AFRICA

4.1 Contemporary Investment Climate

Foreign Direct Investment (FDI) is a major component of international capital flows (investments). This investment involves not only a transfer of funds (including the investment of profits) but also a whole package of physical capital, techniques of production, managerial and marketing expertise, products advertising and basic practice for the maximization of global profits (CBN, 2003:8 in Okolie 2007:8).

The contemporary investment climate has changed significantly with the liberalisation of investment engendered by globalisation. Hitherto, countries employed various strategies to either attract FDI in desirable sectors of the economy and protect some other sectors from foreign investors. For instance, host countries wishing to attract resource-based FDI attempted to lower location costs by raising the quality or lowering the costs of local inputs, or by offering foreign investors privileged access to local inputs (Pigato, 2001:5). Furthermore, states could make unilateral policies on issues of ownership of FDI, and its *modus operandi* in such a way that suited the interests of the state.

However, with the emergence of globalisation and the intensification of liberalization policies, investment climate have metamorphosed from what it used to be. Contemporary investment practices anchored on the policy of liberalization have changed and reduced the role of state in deciding the fat of FDI.

Furthermore, the contemporary investment milieu is characterized by practices in which multinational companies now monopolise investment activities all over the globe. More so, parent companies of the MNCs exercise much tighter control over their affiliates which they integrate more closely into the parent companies' activities thereby using the affiliates to allocate activities and functions over host countries in line with their (MNCs) economic assets and competitive position.

Essentially, contemporary investment practices aims at protecting and advancing the rights of international investors vis-à-vis host governments and countries. The main elements include the right of entry and establishment of foreign investors and

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investments; the right to full equity ownership; national treatment (treating foreign investors at least as well as local investors); the right to free transfer of funds and full profit repatriation; protection of property from expropriation; and other accompanying measures such as national treatment rights in privatisation (Khor 2001:71).

It is germane to note that contemporary investment practices are anchored on certain codes of conducts which sustain and intensify the practice. These codes of conducts includes among others:

1. **The Agreement on Trade–Related Investment Measure (TRIMs):**

In the TRIMs Agreement, "investment measures" such as the local-content requirement (obliging firms to use at least a specified minimal amount of local inputs) and foreign exchange balancing (limiting the import of inputs by firms to a certain percentage of their exports), is to be prohibited for most developing countries as at January 2000. The prohibition of these will make the attainment of development goals much more difficult and cause developing countries to lose out of some important policy options to pursue their industiralisation. It also gives the MNCs and their parent countries leverage over the developing countries on issues of investment.

2. The TRIPS Agreement :

Under the TRIPS Agreement, developing countries are obliged to introduce Intellectual Property Right (IPR) legislation with standard of protection that are similar to those in Northern Countries. This will hinder Southern Countries' indigenous technological development and will also give rise to increasing technical payments such as royalties and licence fees to transnational companies that own most of the World's patents.

Another implication of the TRIPS Agreement for investment practices is that it enables some firms and countries to have global monopoly over certain areas of investment by restricting the ease with which countries can incorporate technology originating from abroad in their local systems.

In fact, in line with contemporary liberalisation of investments, a more recent EU Paper at the WTO has proposed a more "diluted" version of an investment agreement in the WTO in which members may list the sectors for liberalisation and the extent of liberalisation and where the scope would be limited to FDI. There is no doubt that even

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the diluted proposal is aimed at increasing the pressure on developing countries to liberalise their foreign investment rule and to extend national treatment privileges to foreign investors.

As a corollary of the above analysis, new factors now act as determinants of FDI attraction in the contemporary investment climate as against the former factors that determine the flow of FDI.

4.1.2 The New Determinants of FDI

In the contemporary investment climate, many of the traditional determinants of FDI such as availability of natural resources and cheap labour are losing their significance as against the following new factors that determine the flow of FDI:

i. **A favourable FDI environment**: This means a transparent and non discriminatory regulatory environments, effective competition policies and an efficient judicial system. Fiscal incentives may increase the attractiveness of a country but cannot substitute for the lack of a healthy FDI environment. Promotion activities may also help attract FDI but only when the basic framework is in a place, including equal treatment of foreign and local investors and fast dispute settlement mechanisms.

ii. **Support institutions and technical services:** Essential infrastructure facilities that attracts and sustains FDI flow include effective quality assurance and testing bodies, metrology and calibration services, research and development (R & D) extension help for enterprises.

iii. **Human capital:** Low cost, unskilled labour is becoming less important. There is greater demand for qualified and highly skilled human capital with diverse modern skills that can cope with emerging technologies. Equally important are labour market flexibility including the use of expatriate personnel.

iv. **Availability of Hi-Tech. Infrastructure:** Hi-Tech infrastructure, especially in efficient communications system (including internet services) as well as transportation links within and outside the country are essential to make a

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country attractive in the contemporary investment milieu (see Pigato 2001:10).

Thus, from the foregoing analysis, we deduce that contemporary investment milieu reflects the following characteristics.

1. Contemporary investment practices is anchored on the neoliberal framework of liberalisation which dismantles states control over investment activities globally.
2. Emergence of codes of conducts which protects the rights of investors in host countries and grants them monopoly over certain areas of investment.
3. Entirely new factors now determine the flow of FDI globally.

4.1.3 The Trajectory of Global Investment

The contemporary investment practices has brought about tremendous growth in global investment, and this has generally left pundits and commentators in search of superlatives: phenomenal, explosive, dramatic e.t.c. with which to describe the phenomenon. While the search for superlative continues, global investment has continued to pulsate astronomically.

Although the most dramatic growth in the flow of global FDI is witnessed from the early 1990s, it is pertinent to know that FDI had been growing from the postwar period albeit negligibly. In the immediate postwar period, between 1950-70, international direct investments grew at a rate just a little faster than that of the average GDP of the developed market economics. By 1973, UN experts came to the trend-setting conclusion that international production (investment) had surpassed international trade as the main vehicle of international economic exchange. It was estimated that international production (i.e. investment) has reached approximately 330 billion U.S dollars in 1971 (see Hoogvelt 1997:76).

The point being made is that although, global investment has continued to grow, the growth witnessed in the contemporary era of liberalisation of investment practices is unprecedented.

Thus, empirical fact shows that with the liberalisation of investment milieu and coupled with rapid advances in technology within the period – especially in transport and communication; there has been a tremendous increase in FDI. Global inward FDI flows

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rose from US $59 billion in 1982 to a peak of US $1,491 billion in 2000. On an annual average basis, FDI inflows increased from 23.1% in the period 1986-90 to 40.2% over the period 1996-2000. Furthermore, FDI outflows rose from 25.7% to 35.7% within the same period (UNCTAD, 2003).

Furthermore, the growth of FDI underscores the enormous role of Transnational Corporations (TNCs) in economic activities (especially FDI) worldwide. There is an unprecedented expansion all over the world of the flows of FDI as new companies are expanding their commercial operations, extending them beyond the borders of their own countries to explore not only new markets but also locations where their production can be more profitable. The TNCs has therefore become the quintessential vehicle for global investment. Significantly, the global assets of TNCs were estimated at over 8000 billion US dollars in 1994 with an FDI stock across the globe amounting to 2.7 trillion as at 1995 all contributing to the global growth of FDI.

4.1.4 The Tripartite Nature of Global FDI

Although, the world has experienced an astronomical growth of FDI, lamentably, these FDI has clustered mainly among three regions of the world – U.S, Asia (Japan) and Europe. These three regions provides the tripod stand of FDI in the contemporary investment milieu. This is mainly because these regions provide the home for TNCs and International Financial Institutions (IFIs) and therefore shape the character of these global actors (TNCs and IFIs), constrains and directs their choices.

Again, these three major regions are interconnected (in part by the activities of these firms) each also commands an independent industrial and technological base, vast financial resources and a developed environment capable of sustaining steady growth of FDI (see Borrus et al 1995:313). As a result, 65% of total FDI stock as at 1995 was monopolised by the trio (Asia [Japan], Europe and U.S.A.). This means that nearly two-thirds of the world (including West Africa)is virtually written off the map as far as any benefits from FDI are concerned.

Below, we briefly evaluate recent FDI performance in each of the trio with a view to substantiating (with empirical data) that they dominate global flow of FDI.

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4.1.4.1 Recent FDI Performance in the United State

Due to the opportunities engendered by the contemporary investment climate, the expanding United States economy and rising asset prices, which enhances firms' capacity to raise funds, fueled United States FDI inflows and outflows. The U.S FDI outflows reached US $133 billion in 1998, up from US $109 billion in 1997. Just over one-half of the outflows went into the European Union, while outflows to Brazil and Mexico, two of the largest destinations among developing countries, declined. More so, the United States FDI inflows rose by US $82 billion to US$193 billion. The European Union flows to the United States almost tripled, to US $155 billion in the same period (UNCTAD's World Investment Report, 1999). This makes U.S.A one of the regions with the highest FDI performance over the period.

4.1.4.2 Recent FDI Performance in Europe

Overall, in recent times, major increase were seen in FDI flows to and from Western Europe with the European Union accounting for almost all of the region's volume. The EU as a whole continued to be the largest FDI recipient and the most important outward investor worldwide. Total FDI inflows to the European Union rose from US $100 billion to US $230 billion, outflows soared by over 75% to US $386 billion from US $218 billion in 1997 (see UNCTAD, 1999).

Given the contemporary investment climate and practices, it takes only a few major transactions, in some cases just one, to influence the FDI trends for individual countries from one year to the next. Sweden's FDI inflows in 1998, for example, were over US $19 billion, almost double the 1997 total and nearly four times the 1996 volume; inflows in 1998 to the Netherlands more than tripled, to US $32 billion, while those of Spain rose by over 80% to exceed US $11 billion in the same period.

In terms of overall FDI inflows in 1998, the United Kingdom led the European Union list with US $63 billion as against US $37 billion in 1997, followed by France at US $28 billion (US 423 billion in 1997), then Belgium and Luxembourg at US $21 billion as against the 1997 value of US $12 billion.

The point being made hue is that almost all European countries have doubled their FDI inflow in recent times. More so, most of the investment activities of European

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countries were concentrated within Europe making Europe one of the regions with the highest FDI flow globally.

4.1.4.3 Recent Investment Performance in Japan (Asia)

Japan is today one of the countries to be reckoned with when it comes to the inflow and outflow of FDI in the world. The major source of imports for each Asian economy is usually Japan. By almost any significant measure, Japan, rather than the United States, is now the dominant economic player in Asian Japan is the region's technology leader, its primary supplier of capital goods, its dominant exporter, and its largest foreign direct investor (Borrus *et al* 1995:314).

As a result of Japan's investment practices in Asia, Asia is today becoming one of the dominant regions in the flow of FDI globally. The result of such investment practices is the springing up of a network of producers across Asia, generally controlled by Japanese firms that diffuses technology and production know-how to other firms in the Japanese periphery. This is also because as other Asian nations absorb production knowledge and emulate the Japanese model of success, innovations in policy and manufacturing spread throughout the region much more quickly and effectively.

To further buttress how these three regions form the tripod of FDI in the contemporary investment milieu, the UNCTAD's World Investment Report, (1999) shows that no less than 89% of TNCs on UNTAD's Top 100 list are from the European Union, North America and Japan; and the overwhelming majority of these firms have been in the top 100 ranking since 1990. This is shown in Table 4.1 below.

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Table 4.1: World's top 10 TNCs Ranked by Foreign Assets (1997) (Assets & Sales in Billion U.S dollars)

Rank	corporation	Country	Industry	Foreign Assets	Foreign Sales	Foreign Employees
1	General Electric	U. S. A	Electronics	97, 4	24,5	111 000
2	Ford Motor Company	U. S. A.	Automotive	72.5	48.0	174 105
3	Shell, Royal Dutch	Netherlands & U.K.	Petroleum	70.0	69.0	65 000
4	Genera Motors	U. S. A	Automotive	NA	51.0	NA
5	Exxon Corporation	U. S. A	Petroleum	54.6	104.8	NA
6	Toyota	Japan	Automotive	41.8	50.4	NA
7	IBM	U. S. A	Computers	39.9	48.9	134 815
8	Volkswagen group	Germany	Automotive	NA	42.7	133 906
9	Nestle SA	Switzerland	Food & beverages	31.6	47.6	219 442
10	Daimler-Benz	Germany	Automotive	NA	50.4	NA

Source: *Unpublished UNCTAD estimate in UNCTAD 1999.*

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4.2 Peripherialization of West Africa in the Flow of FDI

West Africa, like other African countries has been gradually but steadily marginalized in the rapidly globalizing world especially in the flow of FDI. Thus, the contemporary investment practices has led to an intensified the peripheral position of West Africa. This is as result of the new but consistent feature of the contemporary investment milieu which has brought about the geographic redirection of FDI flows away from the periphery to the core of the world.

Paradoxically, the share of FDI flowing to the developing countries have experienced increase albeit not significantly, but the flow to Africa (West Africa in particular) has declined diametrically. High chunk of FDI flowing to the developing countries now goes to the regimes of east; South and South-East Asia with China dominating as the single largest developing host country of inward investment (see Hoogvelt, 1997:77).

In the decade of the 90s, China emerged as the single most important recipient of FDI among developing nations. By 1992, China attracted over 5 billion dollars worth FDI – more than 14% of the total for developing nations. China's share has climbed

steadily ever since and by 1995, inflows of FDI accounted for nearly 26% of the fixed capital formation of the country. Another developing country whose share of FDI has increased is Mexico, its share of FDI inflow was quite high at $4.34 billion in 1991 – 12.6% of developing nation's total, Mexico has continued to maintain a strong position with FDI inflow accounting for some 17.1% of the country's fixed capital formation by 1995. The other recipients among developing nations includes: Venezuela, Brazil, Indonesia, South Korea and Turkey which attracted $1.9 billion, $1.6 billion, $1.5 billion, $1.1 billion and $0.8 billions worth of FDI in 1995 respectively. Table 4.2 below shows the leading FDI recipients among developing nations.

Table 4.2: Leading FDI Recipients Among Developing Nations 1985-1995 ($ Billions)

Country	Cumulative	FDI Inflow Per Capital ($)
China	130.2	110
Mexico	44.1	470
Malaysia	30.7	1520
Argentina	20.3	680
Brazil	20.3	130
Hong Kong	17.0	2890

***Source**: Extracted from various annual trade and investment releases of UNCTAD & UNDP*

Indeed, Africa's share of FDI has not just declined but remained negligible. Table 4.3 shows that while other regions' share of global FDI remained significant and continued to increase over the years, that of Africa declined and remained insignificant as it fell from 1.8% in the period 1993-1998 to 0.8% in 1999-2000. Though, it increased to 2.5% in 2002-2003, the figure remains insignificant when compared with that of other regions especially Asia.

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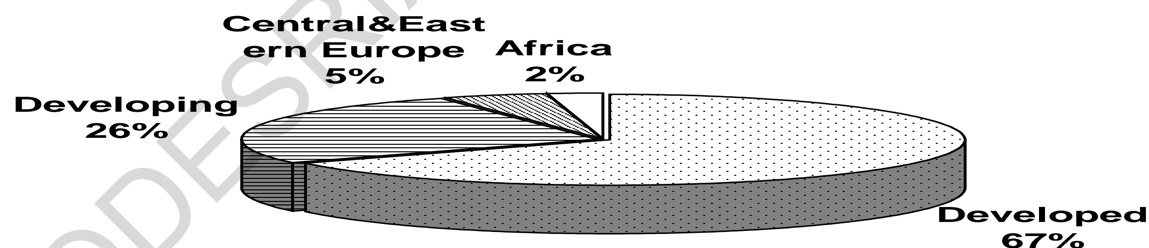
Table 4.3: Distribution of World FDI Inflows 1986-2003 (%)

Region	1986-1990	1991-1992	1993-1998	1999-2000	2002-2003
Developed countries	82.4	66.5	61.2	80.0	68
Developing countries	17.5	31.2	35.3	17.9	27
Central and Eastern Europe	0.1	2.2	3.5	2.0	5.0
Africa	1.8	2.2	1.8	0.8	2.5

Source: *World Investment Report, UNCTAD 2002 and 2004.*

For a vivid illustration, this can also be represented in a pie-chart below.

Figure 4.1 Pie-chart Show Distribution of World FDI Inflows (2002-2003 figures)



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The above pie chart shows the pathetic share of African FDI, it is a tale of marginalization and peripherialisation engendered by contemporary investment practices.

Specifically, the situation in West Africa is worse because in Africa as a whole, most FDI goes to Southern Africa, presenting data on Africa as a whole may even conceal the abysmal nature of investment in West Africa. Table 4.4 shows a country by country analysis of investment performance in West Africa. It shows that investment in West Africa has been very poor as measured in percentage of GDP.

Table 4.4: Total Investment in West African Countries (In percent of GDP) 1997-2005

	Countries	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**1997/05 (Average)**
1	Gambia	19.9	18.8		18.3	17.6	21.6	20.0	24.6	23.5	20.4
2	Ghana	24.8	23.1		21.5	24.0	19.7	22.9	26.5	29.9	24.3
3	Guinea	21.0	19.2		19.8	19.7	13.1	9.9	10.7	11.7	15.6
4	Nigeria	12.1	26.2		27.7	20.6	26.0	23.1	20.7	21.0	22.8
5	Sierra Leone	-2.4	5.3		0.3	13.1	10.1	14.2	19.6	20.7	9.8
6	Benin	18.4	17.0		17.5	18.9	17.8	18.2	17.6	18.5	18.1
7	B. Faso	23.4	22.8		17.7	18.5	17.5	17.0	18.6	19.4	19.3
8	Cote d'Ivore	14.4	13.3		13.1	10.6	9.9	6.3	7.3	7.2	10.3
9	Guinea Bissau	21.8	11.4		16.8	11.3	9.4	12.4	12.4	21.2	11.6
10	Mali	23.6	206		16.1	22.3	18.6	25.6	18.9	21.2	21.5
11	Niger	10.9	11.4		11.2	11.4	14.2	14.2	15.9	16.7	13.1
12	Senegal	15.6	18.6		18.5	20.9	16.7	20.7	22.4	23.4	19.5
13	Togo	22.0	21.1		19.0	22.0	21.3	27.0	27.1	27.8	23.2

Source: *IMF, African Development data base, March 2005 in Nnanna (2006)*

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4.2.1 Reasons for Peripheralization of West Africa in The Flow of FDI

As noted earlier, the contemporary investment milieu has changed significantly from what was obtainable before now, this partly answers why Africa (West Africa in particular) is being peripherialized in flow of FDI. It is however, analytically germane at this juncture to present detailed analysis of investment climate in Africa, how this differed from the required environment for the flow of FDI, and how this has also contributed to the marginalization of Africa in the flow of FDI.

Foremost, the presence and emergence of other developing regions of the world (Asia, Latin America, Caribbean and the former socialist states of Eastern and Central

Europe) as more attractive investment locations adds to the challenges that Africa must encounter before it can add to its global share of FDI. Several regions of the world are competing for limited investments. Only those locations with adequate FDI determinants are likely to be able to increase their global share of FDI in an appreciable manner.

Again, Africa has poor "hard" physical infrastructure like telecommunications, power, transportation, water and sanitation. This is coupled with the high number of unskilled workers in the region all of which makes the region unattractive for the flow of FDI. Another issue of concern about infrastructure in Africa is its costs. The region has the highest transport cost of any region. The continent is isolated from major maritime and air routes and is served by peripheral, high cost routes. Freight costs for imports are 70%, higher in East and West Africa than in developing Asia. Internal transport is also costlier, for example, in the mid-1990s, road transport costs in Ivory Cost were two to three times those in Southeast Asia. Those high costs are attributed to, among other things, lower road quality, higher fuel taxes, higher imported vehicle costs and costly bureaucratic procedures. The cost of telephone calls among African countries can be fifty to one hundred times the cost of calls within North America (Ngowi 2001).

Empirical data on the inimical nature of Africa's environment to FDI especially in the area of its technology gap vis-à-vis other regions of the world speak for itself. The data presented in table 4.5 below shows Africa's technology gap vis-à-vis other regions of the world (1985 and 1998).

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Table 4.5: Africa's Technology Gap (1985 and 1998)

Region	Skills Tertiary Enrolment Per 1000 of population		Technology Effort Research and Development, Per Capita		ICT Telephone Main Lines Per 1000 of Population	Personal Computers (Per 1000 of Population)
	1985	1998	1985	1998	1998	1998
Developed countries	34.3	40.1	122.3	402.4	571.1	316.8
Developing countries	6.3	8.7	0.6	4.6	62.2	14.2
Africa	–	4.0	0.6	1.3	16.5	7.8

Source: *UNCTAD (2005:24) Sourced from UNIDO (2004)*

The table above speaks for itself as regards the large gap between Africa and the rest of the world in ICT infrastructures Africa ranks last with only 16.5 telephone main lines per 1000 population and 7.8 personal computers as against the 14.2 per 1000 population in developing countries and 316.8 per 1000 population in developing countries.

Table 4.6 below further shows albeit with different indices the technology gap between the developed countries and Africa.

Table 4.6: Scientific and Technological Capacities of Developed and Developing Countries

Parameter	Developed	Developing	Africa
Scientists & Technicians Per 1000 population	3.8	0.4	0.4
Percentage of GDP spent on Research & Development	2	0.5	0.1-0.7
Scientific Publications per 1000 population	84	16	0.8
Patents & Inventions per 1000 population	97	3	Negligible

Source: *culled from Adeboye T. (1998)*

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No doubt, physical infrastructure is among the very important FDI determinants. Its value lies in its consumption, not its production. Its poor quality results in low competitiveness because cost, quality and access are important determinants of competitiveness.

Modern communication and information technology infrastructure like the Internet is yet to be common in the region. The gap created by the digital divide between Africa and the developed world is extremely huge. This is a negative in terms of the ability to increase FDI in the region especially in this e-commerce age. UNCTAD (2000) cited in Ngowi (2001) correctly points out that the African continent has many challenges to overcome before it can move fully exploit the advantages of e-commerce and attract FDI. Those challenges include the low level of economic development and small per capita incomes, the limited skill base with which to build the e-commerce services, the number of Internet users needed to build a critical mass of online consumers and the lack

of familiarity with even the traditional forms of electronic commerce such as telephone sales and use of credit cards.

Essentially, all the above constitutes barriers to the flow of FDI into West African Sub-region as it renders the sub-region non-competitive and less attractive in the contemporary investment milieu.

UNCTAD has also computed FDI potential indices for several economics in the world for the period 2000-02. using various indices like the rate of GDP growth; per capita income; the share of exports in GDP; telephone lines per 1,000 inhabitants; commercial energy use per capita; share of R and D expenditures in gross national income; share of tertiary students in the population; and country risk, it found that most African Countries, especially West Africa has very poor FDI potentials. Of the 35 African Countries included in the simple, only 3 – Botswana, Libya and South Africa – had very high FDI potential. Twelve African countries performed better than would be expected given their potential. The remaining 20 countries were classified as under performers. This information is further presented in a tabular form as seen in table 4.7 below.

Table 4.7: Classification of African Countries by FDI Performance and Potential (2000-2002)

	High FDI Performance and	**Low FDI Performance**
	Front Runners	**Below Potential**
High FDI Potential	Botswana	Libya, South Africa
	Above Potential	**Under – Performers**
Low FDI Potential	Angola, Congo, Gambia, Mali, Morocco, Togo, Tunisia, Uganda, Sudan, Mozambique, Tanzania	Algeria, Benin, Burkina Faso, Cameroon, Cote d'Ivoire, Ethiopia, Gabon, Guinea, Kenya, Madagascar, Malawi, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Zambia, Zimbabwe

Source: *World Investment Report, UNCTAD, 2004.*

In the table above, our major concern is in the last row or the last column tilled "Under – Performers". The box contains group of countries with both low FDI potential and low FDI performance. Unfortunately, this is where most West African Countries are

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found. This further proves that there is no attractive FDI environment in the West African region. Hence, the marginalization of West Africa in the global flow of FDI.

4.3 Implications of Contemporary Investment Practices for the West African Sub-Region

The implications of the contemporary investment practices on the West African Sub-region is not farfetched. Foremost, the contemporary investment practices engenders the dependence of the West African Sub-region on the developed capitalist world. This is because most of the FDI are concentrated in the Western Capitalist Countries which determines their flow to other regions and also use it as a means of manipulating the third world and achieving their capitalist interest in the third world countries. The table below presents empirical data to show that FDI inflow into Africa mostly originates from the developed countries.

Table 4.8: Main Sources of FDI Flows to Africa (US Million Dollars)

Country	1991-95	1996-2000
Australia	- 33	- 99
Austria	7	221
Belgium	- 45	242
Canada	146	626
Denmark	1	340
Finland	3	8
France	2,066	4,362
Germany	402	2,475
Italy	213	679
Japan	201	340
Holland	297	816
New Zealand	-	-
Norway	145	-148
Portugal	96	1,560
Spain	50	476
Sweden	4	197
Switzerland	452	69
U. S.	278	9,249
United Kingdom	2,376	3,269

Source: *World Investment Report, UNCTAD 2002.*

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The table shows that African countries depend so much on developed countries for their FDI. This dependence does not augur well for integration in the West African Sub-region because most of the economic decisions and activities within the sub-region are influenced by countries that dominate the flow of FDI to the sub-region. Such countries would also kick against any regional integration policy that is against their economic interest. Again, MNCs operating in the sub-region treat labour differently in different countries and would frown at any attempt to harmonize labour laws in the sub-region in order to facilitate equal treatment of labour all over the region which is detrimental to the interest of the MNCs.

Again, it is pertinent to note that one of the main objectives of regional integration is to establish a customs union. In a customs union, the members establish common external tariffs on some items traded with non-members, these tariff levels are usually higher than those prevailing before, and result in higher costs of those items in the markets of the members (Browne 1998:83). Basically, the essence of customs union formation in a region is to facilitate industrialization by protecting infant industries, facilitate growth of internal market and then use that to attract beneficial FDI. However, contemporary investment practices is a negation of the customs union and its benefits to the West African Sub-region. This is because the contemporary investment practices gives opportunity to Western Capitalist Countries to penetrate the sub-region via FDI that are not beneficial to the sub-region thereby strangling fledgling industries, while the needed FDI cannot be attracted to the sub-region as it only flows to regions with more competitive FDI environment.

Furthermore, the marginalization of the sub-region in the global share of FDI and the exploitative activities of the little FDI in the sub-region impacts negatively on micro-economic activities of the sub-region and thereby undermines integration. This is because the poor investment performance in the sub-region results to low industrialization and poor economic activities needed for successful regional integration.

For example, during the period of contemporary investment practices, as a result of low investment and other economic activities in the sub-region, the GDP growth of the countries of the sub-region has been pathetic, this is shown in table 4.9 below

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Table 4.9: Real GDP Growth of West African Countries (In Percent)

Countries	2000	2001	2002	2003	2004	2005	1997/2005 Average
Gambia	5.5	5.8	- 3.2	6.7	7.7	5.0	5.0
Ghana	3.7	4.2	4.5	5.2	5.5	5.6	4.7
Guinea	1.9	4.0	4.2	1.2	2.5	3.2	3.5
Nigeria	5.4	3.1	- 3.2	10.7	3.5	7.4	4.1
Sierra Leone	3.8	18.1	4.5	8.6	7.4	7.5	5.2
Benin	5.8	5.0	4.2	4.8	3.0	5.0	4.9
Burkina Faso	3.1	6.7	1.5	8.0	4.8	3.1	5.6
Cote d'Ivoire	- 2.2	0.1	27.5	- 1.6	- 0.9	- 1.4	0.5
Guinea-Bissau	7.5	0.2	6.0	0.6	4.3	2.4	- 0.6
Mali	- 3.2	12.1	5.2	7.4	2.2	5.8	5.0
Niger	- 1.4	7.1	- 1.5	5.3	0.9	4.2	3.5
Senegal	3.0	4.7	- 7.2	6.5	6.0	6.4	4.6
Togo	- 0.4	0.6	4.3	4.4	2.9	3.0	2.1

Source: *IMF, African Development Data Base, March 2005.*

The table above shows that there has been no significant growth in the GDP of West African countries, in fact, most countries have experienced decline in their GDP growth. All this attest to low level investment within the sub-region.

The point being made in this chapter is that liberalization of investment practices has no doubt brought about increase in the flow of FDI globally. However, these FDIs is monopolized by the developed regions of the world (especially Japan [Asia], America and Europe) because of the fact that these regions provide environment favourable for the attraction of FDI. Thus, West Africa remains marginalized in its share of global FDI, the region is characterized by low level technological development, shortage of skilled manpower and inadequate ICT infrastructure which makes her unable to compete with other developed regions of the world for FDI. Hence, contemporary investment practices leads to the peripheralization of West Africa in the flow of FDI. This low level FDI in the sub-region does not augur well for regional integration as a region with low industrial and investment activities cannot form a formidable regional bloc in this era of globalization characterized by intense competition for FDI. West Africa has been reduced to a dumping ground and the exploitative activities of MNCs.

Essentially therefore, the empirical evidence provided in this chapter not only validated our third hypothesis but also underscores the fact that liberalization of investment practices undermines the inflow of FDI to the West African sub-region.

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CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY AND CONCLUSION

Globalisation is an inevitable phenomenon which became intensified especially in the 1990s, and has equally brought with it risks and opportunities for countries of the world. In order to maximize its benefits while minimizing the risks, most countries of the world have resorted to regional integration, hence regional integration is ubiquitous.

However, globalization is a multi-dimensional phenomenon which impacts on regional integration in a variegated way. The major facets of globalization remain liberalization of trade, finance and investment.

It is against this background that this study sets out to investigate the challenges posed by globalization to regional integration in West Africa. Based on this, we interrogated the following questions:

1. Is there any link between trade liberalization and diminishing level of intra-regional trade in West Africa?
2. Has liberalization of global finance impacted positively on the strategies and mechanisms of monetary cooperation and integration in West Africa?
3. Does liberalization of investment practices enhance the inflow of FDI into the West African sub-region?

A careful review of existing literature showed that the above questions have not been satisfactorily answered in the literature. Hence, to fill the gap in literature and to provide answers to the questions raised, we hypothesized as follows:

1. There is a strong link between trade liberalization and the diminishing level of intra-regional trade in West Africa.
2. Liberalisation of global finance tends to impact negatively on the strategies and mechanisms of monetary cooperation and integration in West Africa.
3. Liberalisation of investment practices tends to undermine the inflow of FDI into the West Africa sub-region.

To investigate our hypotheses, we predicated our study on the Complex Interdependent Theory. The choice of the theory was based on the fact that globalization has turned the world into an inextricable complex web out of which nation-states cannot

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unilaterally "DELINK", nation-states only have to initiate strategies of benefiting from the inextricable complex globe while they remain part of it. Again, the lopsided analyses and the inability of the orthodox theoretical frameworks like modernization theory and dependency theory to adequately capture and explicate contemporary practices engendered by globalization informed our adoption of this theory. Hence, we believe that the theory of Complex Interdependence is analytically most adequate for this study.

Further, we adopted the Ex-post-facto research design to allow us investigate the impact of the independent variable (globalization) on the dependent variable (integration), and to ensure the validity and reliability of our study. Secondary data were sourced and utilized, while descriptive analysis was the method of data analysis adopted.

Generally, the study was meant to achieve the following objectives:

1. To explore the link between trade liberalization and the diminishing level of intra-regional trade in West Africa.
2. To assess the impact of liberalization of global finance on the strategies and mechanisms of monetary cooperation and integration in West Africa.
3. To examine how liberalization of investment practices undermines the inflow of Foreign Direct Investment (FDI) into the West African region.

The study was divided into five chapters. Chapter One dealt with the introduction and other conventional research procedures while the hypotheses of the study were investigated in Chapters two, three, and four respectively, Chapter five dwelt on conclusion and recommendations based on our empirical findings.

Specifically, in Chapter two, we examined the link between trade liberalization and the diminishing intra-regional trade in the West African sub-region.
The third chapter investigated the second hypothesis and thereby assessed how liberalization of global finance has negatively impacted on the strategies and mechanisms of monetary cooperation and integration in West Africa.

In Chapter four, we assessed the fourth hypothesis by evaluating if liberalization of investment practices has enhanced the flow of FDI into the West African sub-region.
Using empirical evidence available, we found as follows:

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A priori, trade liberalization leads to the diminishing intra-regional trade in West Africa. This is because, the contemporary global framework for trade liberalization engenders the vertical integration of West African countries to the global market thereby hindering horizontal intra-regional trade in West Africa.

We also noted amongst others, that liberalization of global finance has impacted negatively on the mechanisms and strategies of monetary cooperation and integration in West Africa. As a result, most of the strategies and mechanisms for monetary integration have not left the drawing board because financial policies of most West African countries are determined by agents like the International Financial Institutions (IFIs) and which have strong influence over West African countries. Thus, West African countries have lost their autonomy in financial/monetary policy making and have not been able to meet the necessary convergence criteria needed to form a monetary union.

In the fourth chapter, we observed that liberalization of investment practices has changed the contemporary investment climate significantly from what it used to be and ipso facto led to the peripheralisation of West Africa in the flow of FDI. Thus, developed regions of the world especially America, Europe and Asia have increased their share of FDI and even provide the tripod stand of FDI flow globally. However, FDI flow to West Africa have remained insignificant and continued to decline due to liberalization of investment practices which makes it difficult for the sub-region to provide competitive environment necessary to attract FDI flow into the sub-region. Hence West Africa losses FDI flow to other regions of the world that provides better environment conducive for the attraction and growth of the FDI. This in turn impedes on integration of West Africa.

Based on the foregoing findings, we conclude as follows:

- That there is a strong link between trade liberalization and the diminishing intra-regional trade in West Africa.
- That liberalization of global finance has impacted negatively on the mechanisms and strategies of monetary integration in West Africa.
- That the liberalization of investment practices undermines the flow of Foreign Direct Investment (FDI) into the West African sub-region.

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The above not only validated the hypotheses as stated, but underscored the fact that globalization undermines sub-regional integration in West Africa.

5.2 RECOMMENDATIONS

Our recommendation is a two-pronged approach, the first are actions to be taken at the national level while the others are regional level actions to be taken at the regional level.

- **National Level Actions**

While regional integration remains a noble objective, member countries of the West African sub-region should take the following national actions:

1. **Diversification of the economy:** Several West African countries rely on the export of a few primary commodities for foreign exchange earning. This accounts for the poor international trade performance and the vertical integration of the sub-region into the global economy through trade liberalization. Diversification of the economy will enable member countries to cushion the negative effects of globalization while still remaining prominent member of the global economy. This will also increase the attractiveness of the sub-region to FDI flows.
2. **Research and Development:** member states should sponsor research and development (R&D) especially in science and technology in order to meet up with high-level technology needed for the survival in the contemporary global village. Again, this will lead to the development of infrastructural activities needed for regional integration and economic progress in the global world. Research should also be sponsored in the Social Sciences especially Political Science with special emphasis on Political Economy in order to bring up sound intellectuals and pundits who will enlighten and educate the *tabula rasars* who occupy the leadership position of the country on the implications of contemporary global practices and on how to make and implement policies in the era of globalization.
3. **Human Capacity Development**: Efforts should be made at the national level to develop the skills of the populace to make them employable and relevant. This is because, the contemporary globalised world requires highly skilled labour which

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can cope with the hi-tech environment. The world is knowledge based as against the era when manual labour was needed for production.

4. **Ensure Microeconomic Stability:** Member countries of West African sub-region should make policies that ensures microeconomic stability which is necessary for economic growth, attraction of FDI and strong control over its fiscal and monetary policies.
5. **Good Governance and Transparent Leadership:** This is needed to eliminate mediocres and intellectual *tabula rasas* from leadership position, and to enthrone visionary leaders who can ensure accountability and transparency all of which are necessary for national development and efficient operation of national policies.

- **Sub-Regional Level Actions**

Specific actions to be taken at the sub-regional levels includes: enlargement of market size; harmonization of national policies; agency of restraint and regional infrastructural development.

1. **Market Size:** Enhanced regional integration will increase market size in the sub-region through regional facilitation of intra-regional trade and cross border movement of persons, goods and capital. This will help attract investors currently constrained in part by the small size of domestic and segmented markets in the sub-region. It will also put the sub-region at a formidable position globally thereby eliminating all forms of trade and investment deficits.
2. **Agency of Restraint:** The point here is that in an environment in which national governments have credibility problem or fails to implement policies agreed upon at the sub-regional level, regional bodies should act as external agency of restraint on domestic policies. Thus, the formation of a well-functioning regional institution of restraint is crucial to prevent defaulting or non-implementation of regional policies; reduce the incidence of domestic policy reversals; improve the credibility of economic cum political policies in the sub-region and get the much needed political will from member nations.
3. **Regional Infrastructural Development**: there is need to initiate and encourage more cooperation in infrastructure development projects like telecommunication,

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transportation, power generation, and the provision of water at the regional level. This will increase access to, and reduce the cost of provision of these facilities, thereby lowering transaction costs, boosting trade, and increasing the attraction of the region to foreign investors. This will also make it more profitable for member states to cooperate in the area of currency than to hook on to their colonial masters as is the case in francophone countries.

When all these are achieved, West Africa, being conscious of the fact that it cannot "delink" or stand in isolation from the "global village", can now be a formidable member of the global world in areas of trade, finance and investment, and thereby reap the benefits of globalization.

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