



What is the Impact of Regional Trade Arrangements on Economic Growth in Sub Saharan Africa? Case Study on ECOWAS

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By Benjamin Eveslage



1. Introducing Presentation & Research

1.1 Presentation Outline

1.2 Intro: Regional Integration as a Driver for Growth



1.1 Presentation Outline

- 1. Intro to Research Topic
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- 3. Background Literature: Rationale and Drawbacks of RTAs in SSA
- 4. Case Study
 - 4.1 Introducing ECOWAS
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 - 4.3 The Simple Answer, ECOWAS Isolated
 - 4.4 The Complex & Nuanced Answer, ECOWAS Contextualised
- 5. Discussion: Making Sense of ECOWAS' Growth Impacts

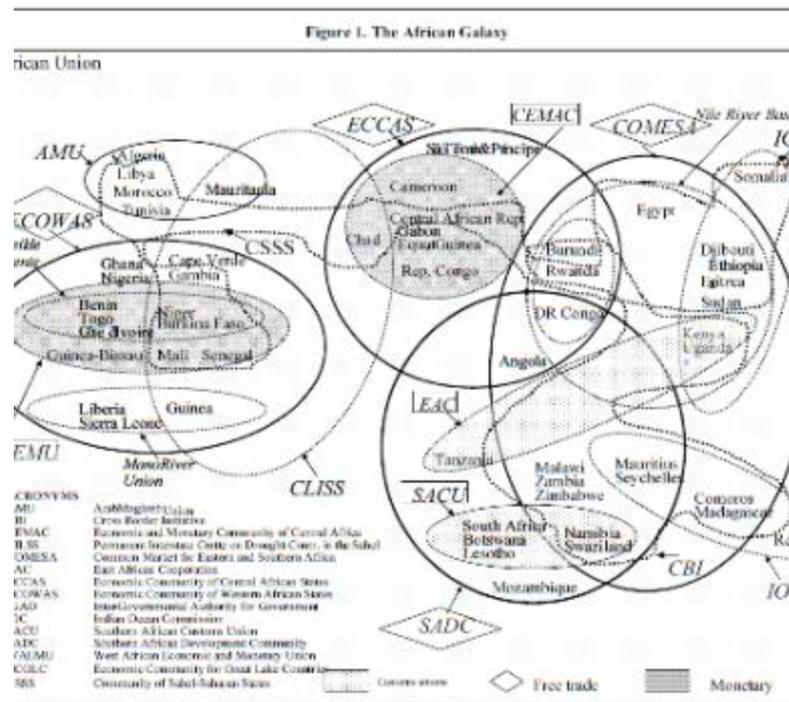


1.2 Intro: Regional Integration as a Driver for Growth

Regional Trade Agreement (RTA)

- Regional Trade Agreement (RTA)
- In SSA, many overlapping RTAs, “Africa’s spaghetti bowl” (IMF 2011 & UNECA 2012)
- Different kinds of RTAs

Figure 1: Overlapping RTAs in SSA





+ 2. Theory

Free Trade Theory Armed with Regional Trade Agreements



2. Free Trade & RTA Theory

- Regional Trade Agreements (RTAs) are policy tool to promote free trade and comparative advantage
- Theory: free trade = efficient production & consumer welfare gains
- Critiques
 - Rather, a static comparative *disadvantage* for developing economies with low-value added/primary exports
 - Dynamic comparative advantage proposed, with prudent state involvement and industrial policy
- Impact of RTAs: ambiguous, but depend on whether more trade was created or diverted due to RTA



+ 3. Background Literature

Rationale and Drawbacks of RTAs in SSA

3.1 Intra-African Integration

3.2 Proposed Understanding of “Economic Growth”

3.3 North-South Arrangements



3.1 Intra-African Integration

Strengths/Weaknesses of RIAs in Africa

1. Suitable due regional approach to structural barriers to trade
2. Incomplete implementation of RIAs
3. Among low-income countries, RIAs cause income divergence
4. RIAs in SSA divert trade, lacking complementarity in factors of production

21st USAID UEMOA Road Governance Map





3.2 Proposed Definition of Economic Growth

- UNCTAD supports an understanding of the concept of “economic growth” as sustainable and inclusive growth following from structural transformation that can offer SSA a more substantial role in the global economy.
- This paper adopts such a definition for “growth”, arguing that GDP figures alone are insufficient and commonly misleading while indicators on poverty, inequality, export structure, and intraregional trade share will be more useful.



3.3 North-South Arrangements

Strengths

1. Many North-South RTAs give southern partners preferential market access, expanded markets for SSA firms

Weaknesses/Limitations

1. Need to target these on manufactures, countries need to be at threshold of manufacturing competitiveness, many are not (Collier & Venables 2007)
2. Rules of Origin (ROOs) – limit regional value chains/cheap inputs from China (Kaplinsky & Morris 2009)
3. Politically unstable agreements, (dom. political movements, WTO incompatibility) (Collier & Venables 2006)
4. Non-tariff barriers (sanitary and phytosanitary standards) (UNCTAD 2008)

E.g. 1) EU's Everything But Arms (EBA) and new Economic Partnership Agreements (EPAs) and 3) US' African Growth and Opportunity Act (AGOA)



4. Case Study

How Does ECOWAS Impact Growth?

4.1 Introducing ECOWAS

4.2 Case Study Methods

4.3 The Simple Answer, ECOWAS Isolated

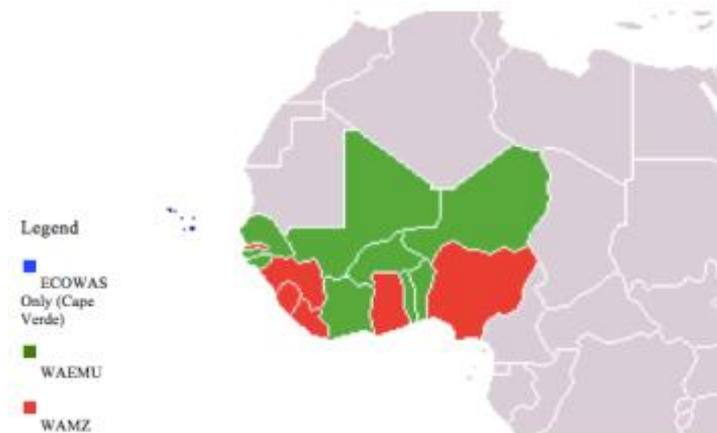
4.4 The Complex & Nuanced Answer, ECOWAS Contextualised

+ Introducing ECOWAS



- Economic Community of West African States (ECOWAS)
- Regional arrangement of 15 states in West Africa est. in 1975, based on linear integration model
- Dominated by Nigeria, $\frac{1}{2}$ population and economy
- Divided by landlocked and coastal and by sub-RIAs (WAMZ and WAEMU with a common current of the CFA).
- Net oil importers, except Nigeria

Figure 2: ECOWAS and sub-RIAs





4.2 Case Study Methods

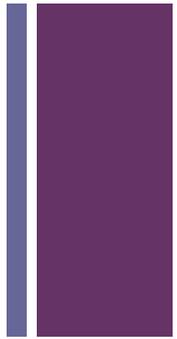
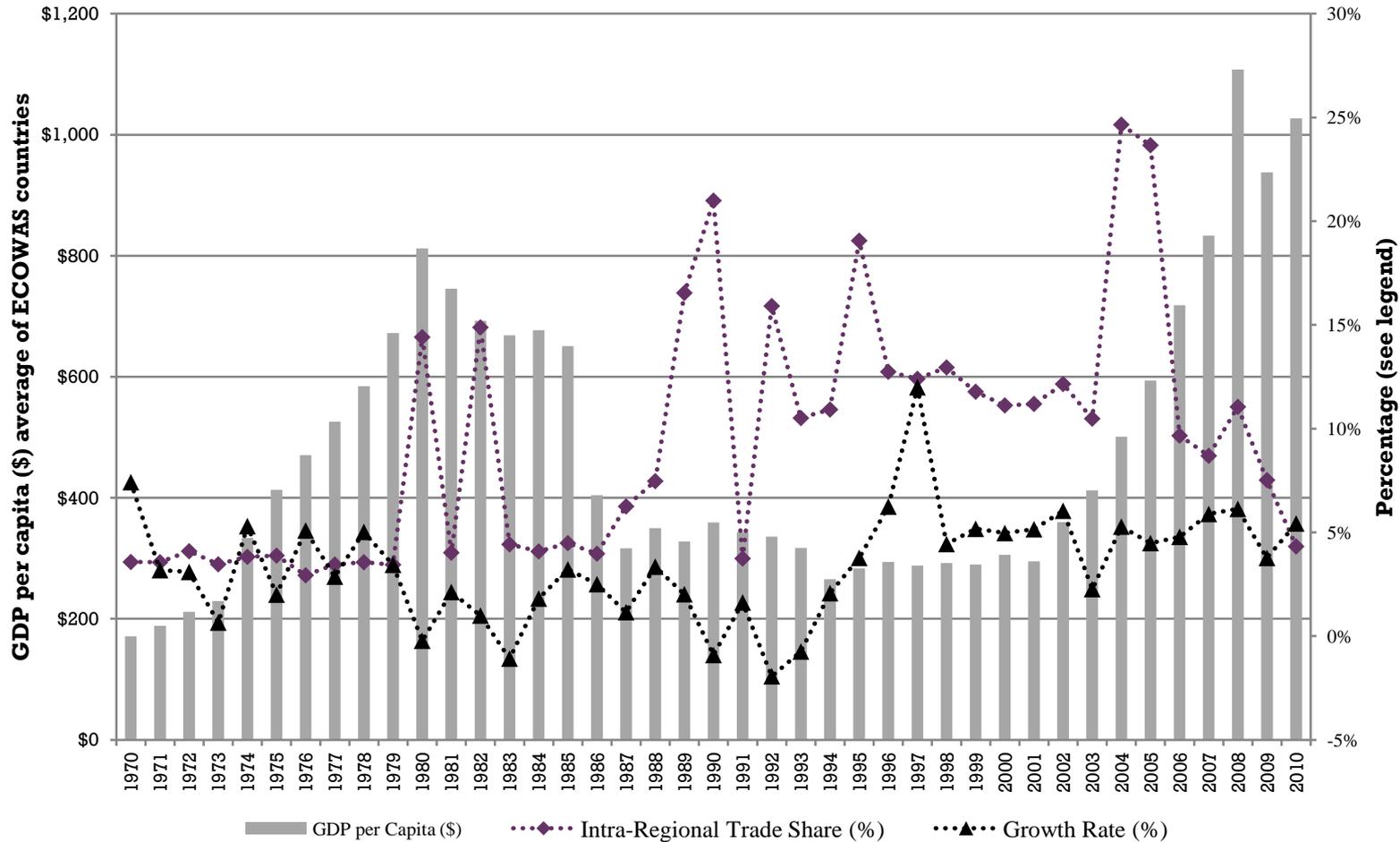
- Isolated Analysis of ECOWAS
 - Reviewed findings from literature on impact of ECOWAS on economic growth
 - Reviewed ECOWAS' econometric data over time on measures of GDP, poverty, inequality, export structure, and share in global economy (from World Bank, UNCTADstat and UN CRIS Regional Integration Knowledge System RIKS)
- Contextualised Analysis of ECOWAS
 - Bring into discussion impact of sub-RIAs, north-south RTAs and impact of China on growth prospects



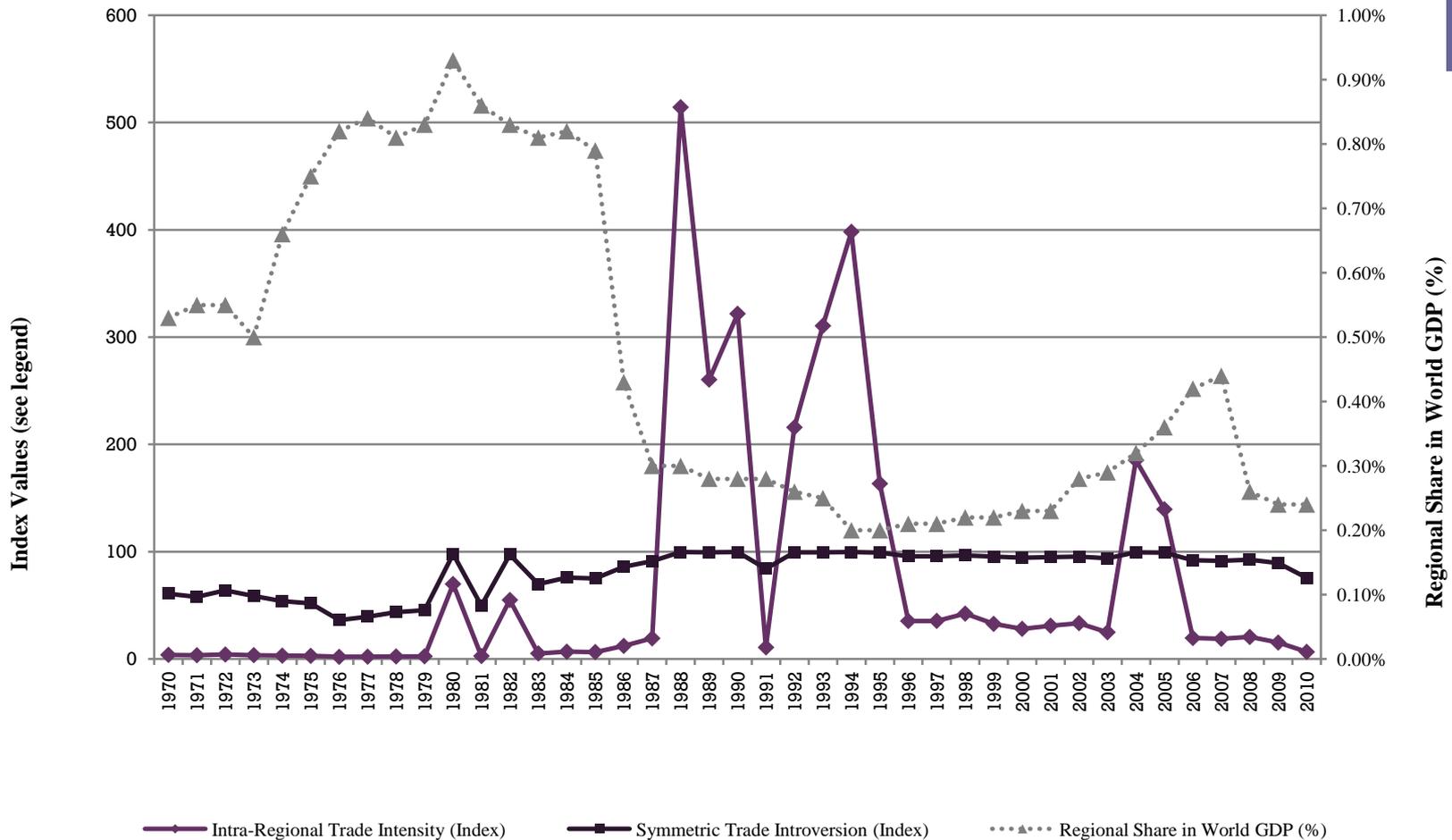
4.3 The Simple Answer, ECOWAS Isolated (part 1)

- ECOWAS' impact on “growth” is elusive (de Melo & Tsikata 2014:12).
- ECOWAS had unsubstantial impact on trade (Hanink & Owusu 1998)
- Recent studies using gravity models indicate positive results of ECOWAS's trade creation effects (Musila 2005; De Melo & Tsikata 2014:14; Gbetnkom 2007; Karingi et al. 2005)
- There has been research demonstrating the impact of increased trade in ECOWAS countries on increases on GDP (Aboubacar et al. 2014; Darma & Ali 2014; Arodoye & Iyoha 2015)
 - However, these findings are not attributable to the ECOWAS RTA *per se* and GDP alone is not a sufficient understanding of growth.
 - Country-level impacts have been different. WAEMU countries 4x higher trade than the gravity predicted model – attributable to common currency, infrastructure harmonisation (Araujo-Bonjean & Brunelin 2013).

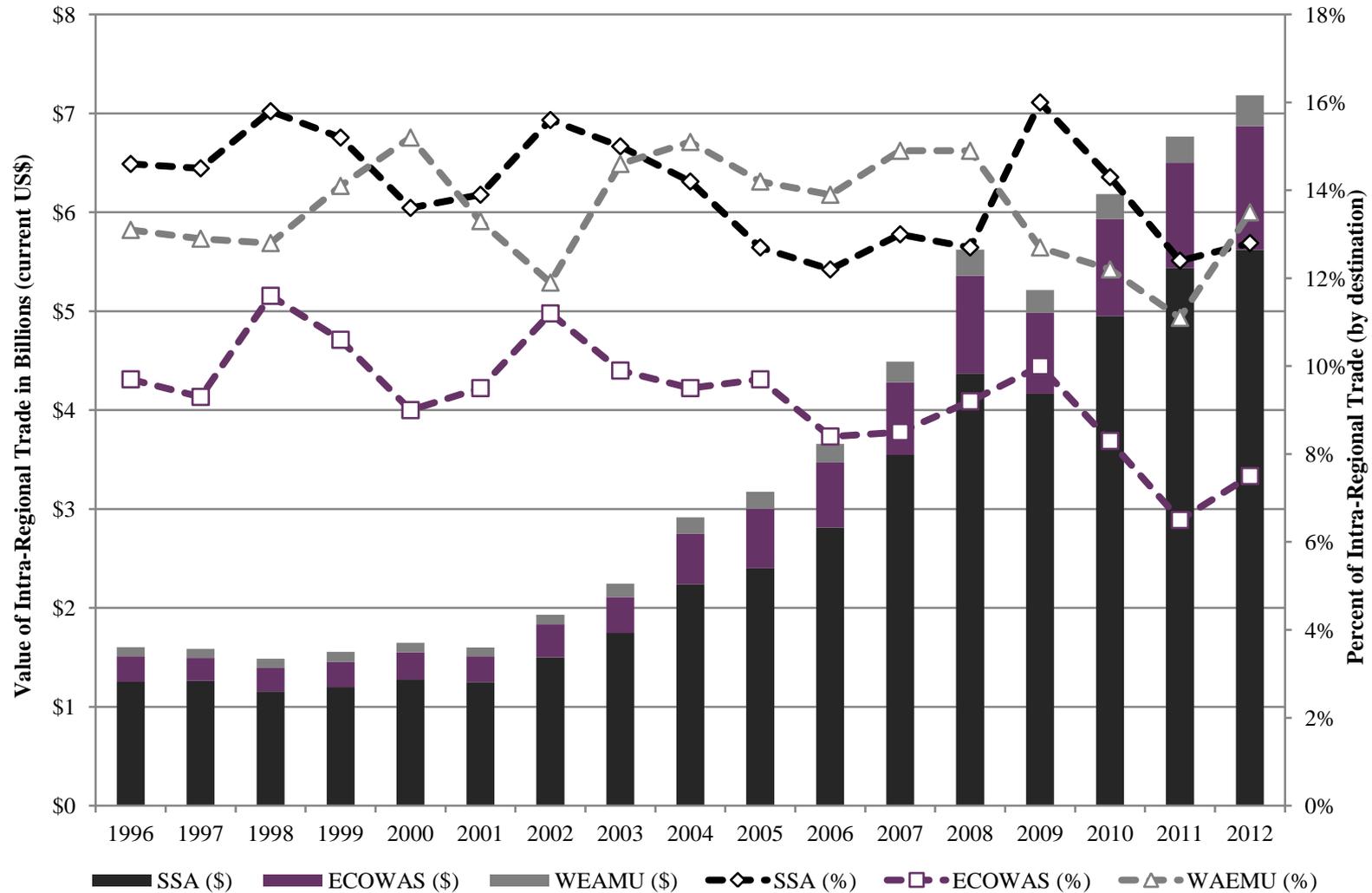
+ Graph 1: Regional Integration and GDP (ECOWAS)



+ Graph 2: Regional Integration and Share in World GDP (ECOWAS)

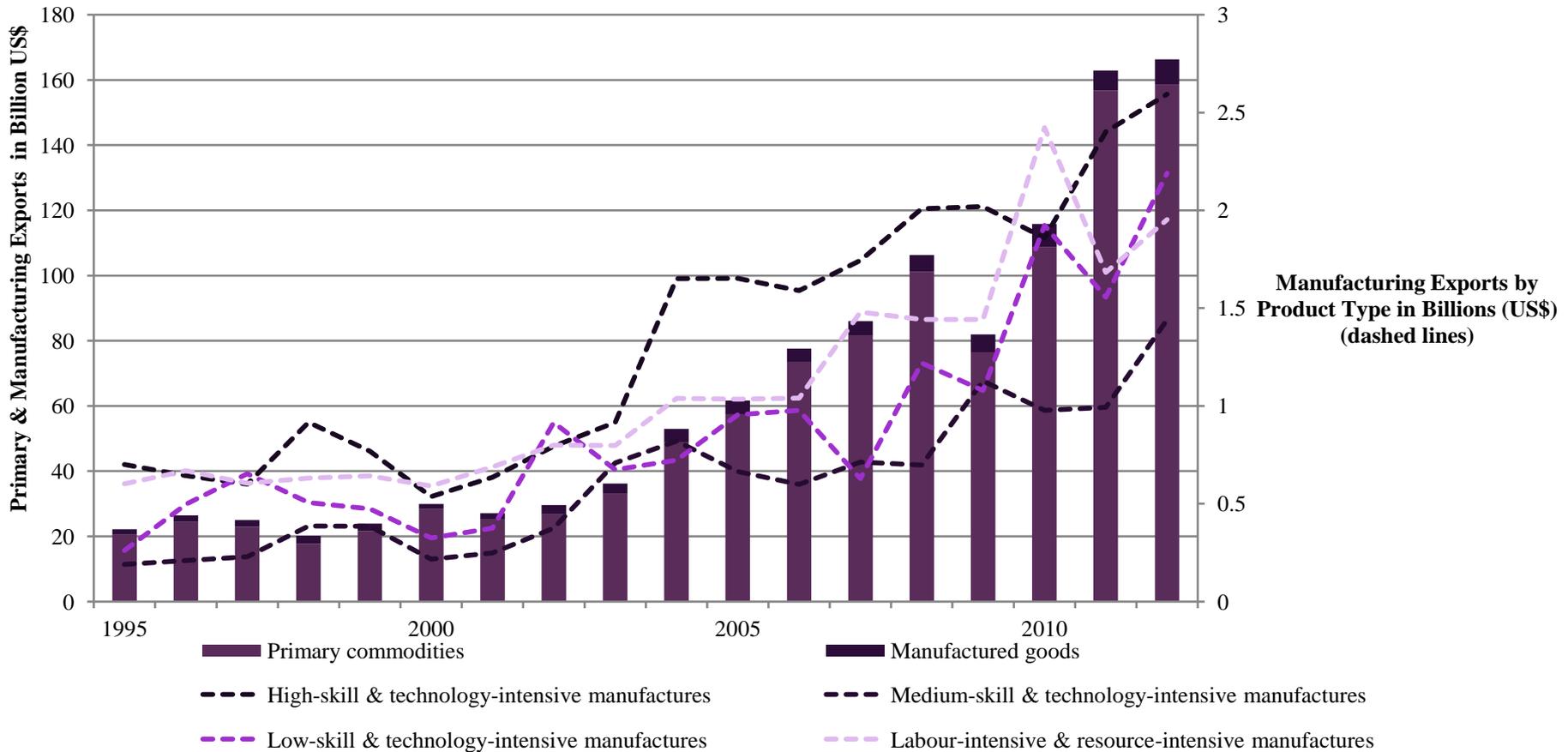
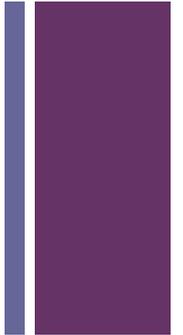


+ Graph 3: Comparing Value of Intra-Regional Trade in ECOWAS, WEAMU, and SSA



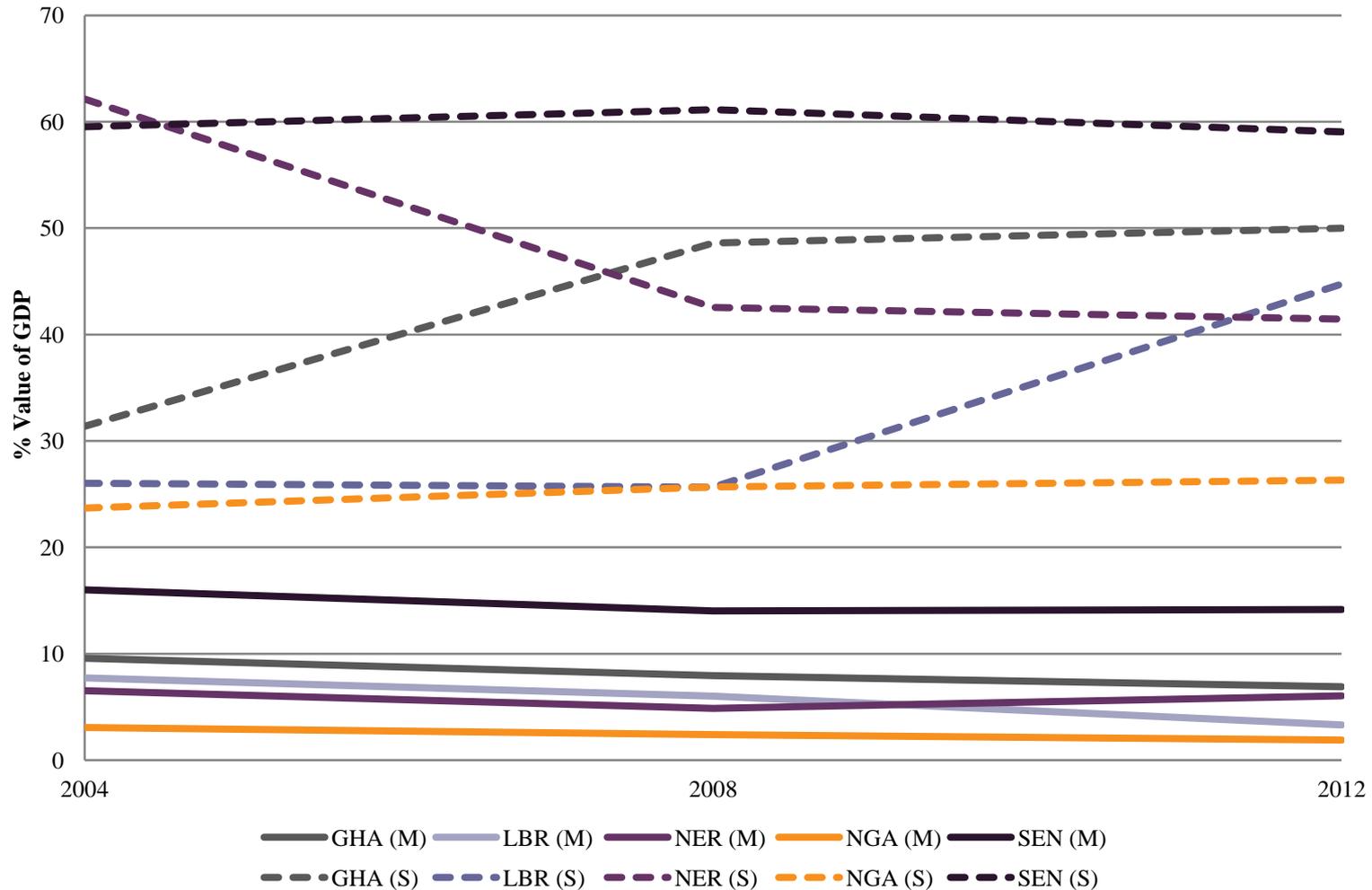
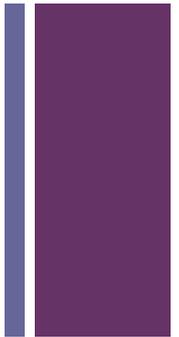


Graph 4: ECOWAS Exports: Primary Commodities vs. Manufacturers



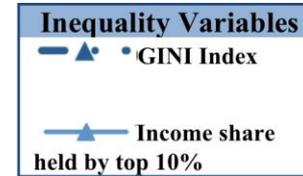
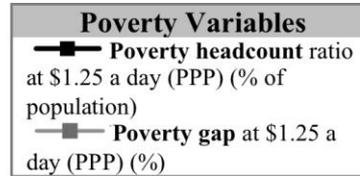
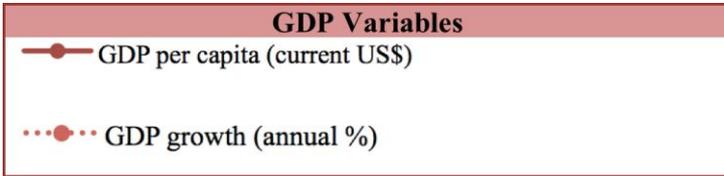
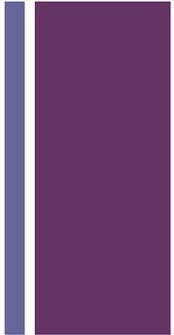


Graph 5: Shifting Economic Patterns in 5 ECOWAS Countries



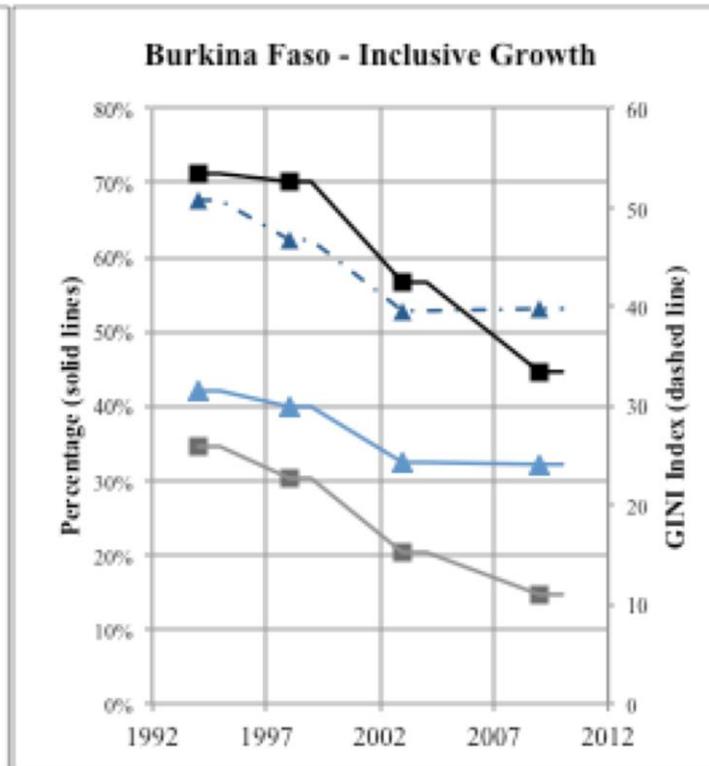
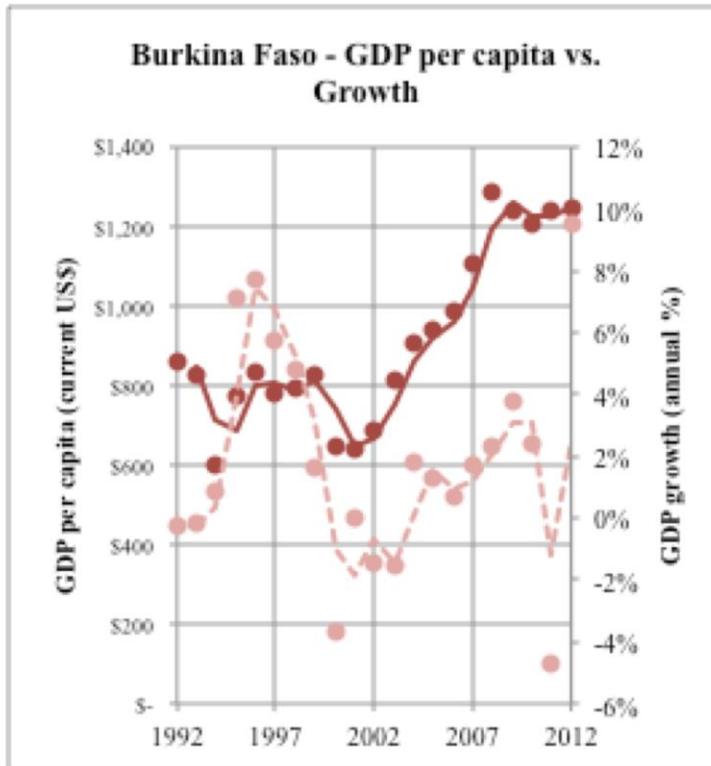


E.g. Case Studies on ECOWAS Growth Profiles, Burkina Faso



* Solid lines correspond to left y-axis, dashed lines to right y-axis.

* All data sources: World Bank Development Indicators, poverty and Inequality Database.





4.4 The Complicated and Nuanced Answer, ECOWAS Contextualised

- ECOWAS facilitated intra-bloc trade
- Most member countries experience increased GDP, but cannot be attributed to ECOWAS...
 - Sub-RIAs within ECOWAS may explain this, or the North-South RTAs (but the literature does not support the idea that North-South RTAs have led to economic transformation in ECOWAS)
- EU's EPA with ECOWAS predicted to have mixed effects (need to increase indirect tax collection)
- IFIs and WTO limit ability for state-led industrialisation (& its costly)
- China has mixed impacts (competitiveness and infrastructure)

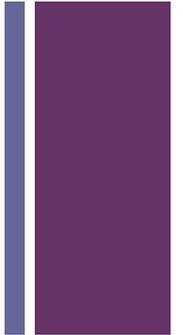


+ 5. Discussion

Making Sense of ECOWAS' Growth
Impacts



Making Sense of ECOWAS' Growth Impacts



- Ambitious target for definition of 'growth'
- Tracing RTA's impact on growth has been unfruitful endeavor in literature (even using GDP)
- The increasing GDP figures are not associated with structural transformation, but rather with commodity boom.
 - Did not lead to more significant role in global economy
 - No increase in intra-regional trade share within ECOWAS
 - No significant shift to higher value added goods
- But these changes, or lack thereof, cannot be attributed to ECOWAS alone.
- ECOWAS demonstrates "black-box" effect of policy making

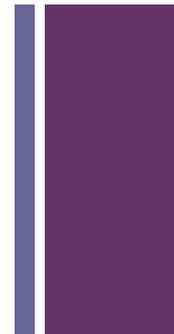


Conclusion

Thank you for your time and I look forward to addressing any questions and further discussion.



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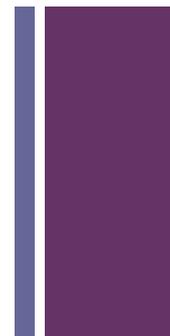


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