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NIGERIA AND THE ECOWAS TRADE LIBERALIZATION SCHEME: THE JOURNEY SO FAR

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Abstract

This paper is an attempt at examining the extent to which Nigeria as a country has enhanced its trade relations with other member countries of ECOWAS, given the objectives of the region's trade liberalization scheme. Data on the country's exports to and imports from these other countries were collected for the period 1996 to 2008. Applying a simple descriptive statistics, it was found that the total trades between these countries were insignificant over the period. The paper went further to highlight some of the possible causes of poor trade in the region, which revolves around tariff and non-tariff barriers to trade. It is finally recommended among other things that the authorities in these countries especially in Nigeria should ensure that the provisions of the ETLs are comprehensively adhered to.

Key words: ECOWAS, Nigeria, Intra-regional trade, ETLs, JEL Classification: F15, F53, F55

Introduction

Over the years, the macroeconomic implication of cross-border economic integration has drawn the attention of most scholars of international economics. There has been a long-standing debate regarding the benefits of such integration. One of the major areas of integration is trade. Others include security, politics, and conflict resolution, among others. However, in the context of this paper, emphasis shall be on trade alone. Trade and investment are the essential factors for economic integration process (Balassa, 1965). Trade within an economic region (trade between countries of a particular regional group) is known as intra-regional trade. Regional trade

arrangements are instrumental in promoting global trade and foreign direct investment (Muluvi et al, 2012). Efforts at regional and sub-regional integration have often focused on eliminating regional barriers to trade; enhancing the free movement of people, goods and capital across the region's national borders.

The Economic Community of West African States (ECOWAS) was established on May 28 1975 in Lagos, Nigeria by the Heads of States and governments of fourteen (14) West African nations: Benin, Burkina-Faso, Cote d'Ivoire, Gambia, Ghana, Guinea, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal Sierra-Leone and Togo. The major objective of its establishment was to liberalize trade among member countries; eliminate barriers (both tariff and non-tariff) to trade; enhance the process of free-trade-area, custom union and common market; and finally achieve a common economic and monetary union for the region.

According to ECOWAS Vanguard (2003), ECOWAS was set up specifically to eliminate all tariff and non-tariff barriers to intra-ECOWAS trade, establish a common external tariff (CET) and commercial policy against non-ECOWAS countries, abolish all obstacles to the movement of factors of production and harmonization of domestic policies across its member countries. The community articulated a comprehensive trade liberalization programme known as the ECOWAS Trade Liberalization Scheme (ETLS).

The ETLS was launched in 1990 as a progressive reduction resulting in total elimination of all barriers (tariff and non-tariff) to intra-ECOWAS trade. There were three categories of countries with varying annual tariff reduction rates. The least developed countries had up to 10 years, the middle group countries (8 years) and the most developed countries (6 years).

According to ECOWAS Vanguard (2013), the non-realization of the agreed implementation schedule aimed at eliminating all trade barriers by end of 1999 led the community to review the plan. The new plan which adopted a fast-track approach to achieve the region's economic integration proclaimed the region as a free-trade-area (FTA) in the year

2000 and set January 1, 2000 for transformation into a customs union. Customs union was expected to enable member countries to charge a common tariff to non-members while eliminating tariff among members. It is however quite unfortunate that up till now, this plan has not been fully implemented. In view of the above, this paper is an attempt at exposing the activities that has taken place at Nigerian borders with other ECOWAS members over the years. This exposure would help us towards ascertaining whether or not the country has achieved its goals of embracing the ETLS.

No doubt, Nigeria is the largest country in West Africa accounting for about 60 Percent of the region's Gross Domestic Product (GDP). Under this scheme, Nigeria targeted the following: Securing greater regional market access, promoting industrialization through export-led growth and capacity building required to meet global market competition. However, the achievement of these targets has been hindered by several factors. We shall discuss some of these factors in a later section.

Nigeria's Trade within ECOWAS

Export

The fluctuations in the volume and values of Nigeria's export to other ECOWAS countries are shown in Table 1. In 1996, 7225188 tonnes of commodities worth US \$222098552 were exported. This value is about 60.67% of the total intra-community export value. The export

volume decreased to 4140003 tonnes in 1997. This quantity worth US \$257412517, constituting about 66.63% of the community's total local exports earnings. Export volume fluctuated drastically until 2005 when it increased from 2747884 tonnes in 2004 to 28896949 tonnes. The value of this quantity was US \$201326271 which constitutes 28.85% of the total intra-community value earnings.

Table 1: Nigeria's export to other ECOWAS members (1996-2008).

| Year | Quantity in Tonnes | Value in \$m | Export as % of total export |
|------|--------------------|--------------|-----------------------------|
| 1996 | 76251,88 | 2220985,52 | 60.67 |
| 1997 | 41400,03 | 2574125,17 | 66.63 |
| 1998 | 27025,50 | 1727313,14 | 54.57 |
| 1999 | 28391,96 | 1045976,07 | 40.48 |
| 2000 | 16375,16 | 1439173,68 | 50.55 |
| 2001 | 11787,08 | 817851,91 | 35.46 |
| 2002 | 53680,49 | 1194204,51 | 37.93 |
| 2003 | 26491,80 | 1100612,78 | 33.67 |
| 2004 | 27478,84 | 1425504,81 | 34.08 |
| 2005 | 288969,49 | 2013262,71 | 28.85 |
| 2006 | 33198,59 | 3727143,35 | 53.40 |
| 2007 | 340684,03 | 2318641,73 | 33.22 |
| 2008 | 357718,23 | 2434573,82 | 34.88 |

Source: ECOWAS external trade statistics

It decreased again to 3319859 tonnes in 2006. The value was estimated at US \$3727143, 35 constituting just 53.40% of the total intra-ECOWAS export. Though the country's share of total intra-ECOWAS export reduced significantly to 33.22% in 2007, the volume of export increased tremendously to 34068403 tonnes of commodities at a reduced value of US \$2318641, 73. In 2008, the volume still increased to 357718, 23 tonnes worth US \$2434573,82 tonnes of commodities. This value represented 34.88% of the total intra-community export.

Import

Over the years, the volume of Nigeria's annual import from other ECOWAS countries has fluctuated. Data available to us (see table 2) shows that in 1996, 8873575 tonnes of goods worth US \$134859,32 were imported from other member states of the community. This value constitutes just 8.30% of the entire intra-community imports.

Table 2: Nigeria's imports from other ECOWAS members (1996-2008).

| Year | Quantity in Tonnes | Value in \$m | Import as % of total import |
|------|--------------------|--------------|-----------------------------|
| 1996 | 8873576 | 13485932 | 8.30 |
| 1997 | 9432143 | 15031434 | 8.51 |
| 1998 | 12137717 | 13993664 | 5.30 |
| 1999 | 6607062 | 2017955 | 1.20 |

| | | | |
|------|-----------|----------|-------|
| 2000 | 5294280 | 7689831 | 3.31 |
| 2001 | 16162183 | 33264041 | 12.60 |
| 2002 | 17455197 | 8354492 | 3.44 |
| 2003 | 77988140 | 36136229 | 10.09 |
| 2004 | 19461461 | 31468448 | 6.98 |
| 2005 | 19365954 | 78160591 | 12.84 |
| 2006 | 145751802 | 23642596 | 3.88 |
| 2007 | 59255638 | 75715510 | 12.44 |
| 2008 | 61033307 | 77986975 | 12.81 |

Source: ECOWAS external trade statistics

The volume of import increased until the 1999 fiscal year when it decreased to 6607060 tonnes worth US \$20179, 55 constituting about 1.20% of the total intra-community import value. There was however decrease in volume to 5294280 tonnes of commodities in 2000, but the value increased insignificantly to US \$76898, 31 constituting about 3.31% of total intra-ECOWAS import value. The period 2001-2003 recorded highly significant increases in both volume and values as well as the country's share in total import value. The 2003 figures were 77988140 tonnes of commodities worth US \$361362, 29 and constituting about 10.09% of the total intra-community imports. There were fluctuations for some periods until 2008 when the volume of import became 61033307 tonnes worth US \$779869, 75 which constituted about 12.81% of the total intra-community imports.

From tables 1 and 2 above and the discussions that followed, we observed that over the years, Nigeria experienced unfavourable balance in its trade with other ECOWAS countries. Between 1996 and 2008, Nigeria's export to other members of the community increased by only 9.6%, while its import from these countries increased by about 478.3%. This scenario may be attributed to the fact that Nigeria's major export commodity is crude oil whose destination is mainly the advanced countries of Europe and America. Yet, Nigeria imports several consumer goods, including foods, from countries of this community.

1. Causes Of Nigeria's Low Trade with Other ECOWAS Countries.

Following the statistics given in the previous section, it is quite clear that there have been improvement in the volume and value of Nigeria's trade within ECOWAS. However, Nigeria has not yet fully exploited the opportunities offered to it by the regional trade liberalization scheme, a problem that is significantly associated with some institutional and regulatory barriers to regional trade. Some of these barriers are:

- Customs procedure: The customs and excise management Act governs the importation of goods into Nigeria. Under the provisions of this Act, provisions of the customs and excise notices and the provisions of the Ministry of Finance, importers do not need any other registration except with the Corporate Affairs Commission (CAC). But now, importers are compelled to make several registrations requiring several documents and payments. Though the government does these to bring efficiency to customs administration, they not only delay the process of trading but also increases the cost of trading, thereby discouraging some potential businessmen.
- Rules of Origin: Nigeria applies the ECOWAS rules of origin. Under this rule, a finished product is expected to have a community origin, meaning that the good must wholly be

produced or contain imported content of no more than 40% of the total cost of production. However, the procedure for obtaining the certificate of origin is too complex, lengthy and also costly for the business community. This also poses a great threat to trade progress in the region.

- Custom tariffs: Under the ETLs, Nigeria was expected to keep adjusting its tariffs towards the ECOWAS common external tariff, which ranges from zero to 20% by 2007. But generally, Nigeria had failed in its trade reforms and therefore has high average tariffs. This high average tariff proves to be a significant obstacle to the growth of trade in the country in particular and the entire region in general.
- Immigration requirement: For citizens of ECOWAS member countries, Visa is not a necessity for travelling within the community. An ECOWAS passport with common features issued by member states' governments is allowed for intra-regional travel of member states' citizens for a period of no more than 90 days. However, in some countries like Nigeria, the processes of obtaining this ECOWAS passport are too cumbersome and significantly costly. This makes the cost of movement across borders very high, thereby having a significant negative impact on cross-border trade.
- Roadblocks and checks: Within the ECOWAS territory, there are so many roadblocks mounted by the police, custom officers and other agencies along the major roads. For instance, while ECOWAS recommended just two checkpoints between Nigeria's Mile-2 and Seme border, there are over 40 checkpoints along that road (Chimeziri, 2011). These checks are costly in terms of time and money. Making matters worse, police officers at these check-points especially in Nigeria often solicit bribes from transporters and traders. All these disrupt the efficient movement of people and goods within the community.
- Language barrier: ECOWAS has three official languages: English, French and Portuguese. This makes free and efficient movement difficult, especially when an English-speaking traveller runs into a French speaking custom official or vice versa. Chimeziri (2011) narrated his 2010 experience. According to him, an English-speaking trader suspected to be a Nigerian was trying to move his goods across the Togo's border into Ghana. He was held by custom officers at the Togo's border with Ghana. Because the custom officers kept asking him questions in French and he could not hear or speak French, he was advised to pay an equivalent of 7,500 NGN to an interpreter, which he did in order to keep moving. Exposing the level of corruption among the custom officials, the same officer who refused to speak English finally spoke English fluently while trying to buy a pack of cigarette immediately.
- Standard checks: In ECOWAS region, countries have agencies that screen goods to ascertain if they are of accepted standards. In Nigeria, there are the Standard Organisation of Nigeria (SON) and the National Agency for Food and Drug Administration and Control (NAFDAC). However, each country has its own approved standards. What is accepted in one country may not be accepted in another. Moreover, the screening and re-screening of goods by agencies of different countries adds to the cost of trade in terms of both money and time.
- Licenses and permits: Crossing of borders in Sub-Saharan Africa is one of the most difficult tasks facing every traveller (both motorists and passengers). So many licenses are required. They include import/export licenses, road transportation licenses, evidence of roadworthiness etc. Where multiple licenses are required for the production and

distribution of goods, costs of doing business in that area are also multiplied. This is also a treat to the willingness of people to do business across national borders.

2. Promoting Trade within Ecowas Region: The Way Forward

Enhancing regional growth and development through intra-regional trade has been the major objective of floating the ECOWAS trade liberalisation scheme. But following the statistics given in this paper, one would find it not unwise to believe that the level of trade between ECOWAS countries has been insignificant, at least during the period examined. The low level of trade in this region has been attributed to some institutional and regulatory barriers as listed in section 3 above. Having known the causes of low intra-ECOWAS trade, we hereby recommend as follows, the way forward.

- ✓ The governments of member states of ECOWAS especially Nigeria must make the processes of business registration very simple and less expensive.
- ✓ The procedure for obtaining the certificate of origin for goods to be traded must also be made simple and less expensive too.
- ✓ Countries such as Nigeria must ensure that their average custom tariffs are in accordance with the provisions of ETLs.
- ✓ To reduce the cost of movement of people and goods, governments must ensure that the cost (time and money) of obtaining an ECOWAS passport is reasonably bearable.
- ✓ The governments of member countries especially Nigeria must limit the number of roadblocks and checkpoints to the number recommended by ECOWAS protocol. This is to enhance easy movement of people and their goods.
- ✓ At every point of contact for internationals (business people and government officials) within the ECOWAS sub-region, there must be provision for speaking and understanding all the three approved languages for the region. This will go a long way in enhancing fast movement of people and goods across national borders.
- ✓ ECOWAS as a unit should set up an agency to be responsible for ensuring that goods produced within the community are of good standard. There should be a common standard for all countries of the region. This is to ensure that time and money are not wasted by the receiving country in screening goods after that same good must have undergone similar screening at the country of origin.

Conclusion

Having in mind the broad objectives of ETLs, this paper examined the extent to which trade between Nigeria and other ECOWAS countries have geared towards achieving those objectives. After examining the data collected for the purpose of this verification, we found that trade between Nigeria and other countries of this region have been insignificant over the period examined. After highlighting the possible causes of insignificant trading in the region, we made some recommendations as seen in section 4 above. We therefore conclude that if the content of section 4 (recommendations) are comprehensively implemented, trade in the region would be enhanced and the objectives of ETLs achieved.

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