WEST AFRICAN REGIONAL ECONOMIC INTEGRATION:

NIGERIAN POLICY PERSPECTIVES FOR THE 1990S
WEST AFRICAN REGIONAL ECONOMIC INTEGRATION:
NIGERIAN POLICY PERSPECTIVES FOR THE 1990S

Edited by
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<tr>
<td>ADB</td>
<td>-</td>
<td>African Development Bank</td>
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<tr>
<td>ASCON</td>
<td>-</td>
<td>Administrative Staff College of Nigeria</td>
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<tr>
<td>BCEAO</td>
<td>-</td>
<td>Banque Centrale des Etats de L'Afrique de L'Ouest</td>
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<td>CEAO</td>
<td>-</td>
<td>Communauté Economique des Etats d’Afrique de l'Ouest</td>
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<td>CILSS</td>
<td>-</td>
<td>Comité Permanent Inter-Etats de Lutte Centrale la Secsheresse dans le Sahel</td>
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<tr>
<td>CINERGIE</td>
<td>-</td>
<td>Cellule Internationale d'Études, de Reflexions et de Gestion de l'Information Sur les Echanges Regionaux</td>
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<tr>
<td>EC</td>
<td>-</td>
<td>European Community</td>
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<tr>
<td>ECA</td>
<td>-</td>
<td>Economic Commission for Africa</td>
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<tr>
<td>ECBS</td>
<td>-</td>
<td>European Central Banking System</td>
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<tr>
<td>ECOWAS</td>
<td>-</td>
<td>Economic Community of West African States</td>
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<td>ECU</td>
<td>-</td>
<td>European Currency Unit</td>
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<td>EEC</td>
<td>-</td>
<td>European Economic Community</td>
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<tr>
<td>FAO</td>
<td>-</td>
<td>Food and Agricultural Organisation</td>
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<tr>
<td>FTA</td>
<td>-</td>
<td>Free Trade Area</td>
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<tr>
<td>GDP</td>
<td>-</td>
<td>Gross Domestic Product</td>
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<td>IMF</td>
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<td>International Monetary Fund</td>
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<tr>
<td>LAFTA</td>
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<td>Latin America Free Trade Area</td>
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<tr>
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<td>-----------------------------------------------------------------</td>
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<tr>
<td>NAFTA</td>
<td>North America Free Trade Area</td>
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<td>NBC</td>
<td>National Boundaries Commission</td>
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<tr>
<td>OAU</td>
<td>Organisation of African Unity</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<tr>
<td>SAP</td>
<td>Structural Adjustment Programme</td>
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<tr>
<td>TLS</td>
<td>Trade Liberalisation Scheme</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UMOA</td>
<td>West African Monetary Union</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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<td>WACH</td>
<td>West African Clearing House</td>
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The Nigerian Institute of International Affairs (NIIA) has, since its founding in 1961, been at the forefront of policy research in Nigeria and has also endeavoured, in line with its mandate, to disseminate information about the country’s foreign policy and world affairs to the Nigerian public. One of the most important strands of Nigeria’s foreign policy, namely the promotion of regional integration in West Africa, is a subject which the NIIA has, since the founding of the Economic Community of West African States (ECOWAS) in 1975, devoted a great deal of its policy research attention and on which it has organised numerous conferences, seminars and symposia the proceedings of many of which have been published and are widely distributed.

In October 1993, in continuation of our quest to contribute to the emergence of a more effective process of West African regional integration, the NIIA organised a two-day international conference which sought to identify possible Nigerian policy perspectives for promoting regional cooperation in the sub-region in the 1990s. The conference brought together Nigerian researchers and policy makers and their counterparts from a number of other West African States, African Development Bank (ADB) and observers from the Club du Sahel in France.

This book is a product of the main proceedings of the international conference which was held in October 1993 in Lagos and it is our sincere hope that readers will find it useful and stimulating. We at the NIIA will continue to contribute our quota to efforts at identifying and implementing policies which have the potential for improving the economic prospects of West Africa and the lives of the people of the sub-region. To the extent that this book assists in the realisation of the goal of a stronger West African integration effort, it would have achieved part of its objectives.

George Obiozor, PhD
Director-General
PREFACE AND ACKNOWLEDGEMENTS

The post-colonial period in Africa witnessed a host of efforts at constructing regional economic cooperation and integration in the four corners of the continent. Most of these regional cooperation/integration efforts were fired by one version or the other of Pan-Africanism, an ideological platform which was shared by the nationalist politicians, moderate and radical, who inherited state power from European colonialists.

By far the most successful of the regional cooperation projects of the post-independence period in Africa was the East African Community which grouped together Kenya, Uganda, and Tanzania, all former colonies of Britain. But even as the community went into grief on account of a host of factors both internal and external to East Africa, spirited efforts, championed by Togo and Nigeria, were being made to establish in West Africa, an economic integration project that would bring together for the first time the Francophone and Anglophone countries of the sub-region. These efforts culminated in the founding in 1975 of the Economic Community of West African States (ECOWAS).

There is considerable debate within West Africa on the problems and prospects of successful integration in West Africa on the basis of structures which are being erected under the auspices of ECOWAS. Underlying the debate is the view held by many that, for a variety of reasons, West African integration as championed by ECOWAS does not seem to be getting too far. Yet, the necessity for rapid and meaningful integration has been made more urgent not only by the trend at the international level towards the creation of regional blocs but also, and perhaps more importantly, by the deepening economic crises, exacerbated by distortions arising from the absence of policy harmonisation, in which all West African states without exception are mired. The deep-seated economic problems confronting all the countries of the sub-region have generated or exacerbated social and political problems in West Africa to the point where serious problems of state survival and security have arisen.

Attempts at containing the economic crises facing the countries of West Africa through the adoption of structural adjustment programmes individually concluded with the International Monetary Fund (IMF) and the World Bank have only deepened the problems of accumulation - and integration in the sub-region. The basic incompatibility of orthodox IMF/World Bank adjustment programmes with projects of regional integration fired by a pan-Africanist vision is clearly brought out in several of the contributions in this book. Various authors show how structural adjustment measures undermine the structures of
agricultural and industrial production without which no project of regional integration can go far.

No doubt, the theme of crisis and adjustment which dominated the affairs of West Africa - and the rest of Africa in the 1980s and which has continued into the 1990s is one which poses fundamental questions to the quest, formal and informal, for greater regional economic cooperation and integration in the sub-region - and Africa. Both the implications of crisis/adjustment for West African regional economic integration and the policy responses necessary for addressing the problems were addressed at an international seminar held in Lagos in October 1993 and organised by the Nigerian Institute of International Affairs (NIIA) Lagos. The papers, in their revised form, presented at that seminar form the basis for this book. The book is, therefore, aimed partly at charting out policy perspectives for Nigeria in the search for an enduring basis for West African regional integration in the face of a prolonged economic crisis and structural adjustment. It is our hope that the issues raised will be found to be useful by scholars and policy makers alike.

In organising the conference and producing this book, we incurred a debt of gratitude which we must acknowledge here. First, the paper presenter and participants at the conference held in Lagos in October 1993 were the core resource people without whom this book could not have been produced in this form. In thanking all of them for their participation, we would particularly like to record our appreciation to all those who travelled from outside Nigeria to participate in the conference. We would also like to acknowledge the support of Messers Mahamane Brah, Cherif Seye, J.M. Pradelle, D. Bach, and John Igue in ensuring that we had a successful meeting with a strong international flavour. Mrs. Comfort David Ekanem not only typed the conference papers that were presented but also prepared the revised manuscripts for publication. We thank her for her patience and diligence.

In the basic belief that West Africa will not get too far in its quest for economic transformation without a conscious effort at greater transborder policy harmonisation and regional integration, it is our hope that this book will contribute to a heightening of awareness of the urgent necessity for increased regional cooperation.

George Obiozor, Adebayo Olukoshi, Cyril Obi
Lagos, April 1994
Chapter One

The Challenge of West African Regional Economic Integration: anIntroductory Overview

G.A. Obiozor, A. Olukowski, and C.I. Obi

Introduction

Since the birth of the Economic Community of West African States (ECOWAS) in May 1975, Nigeria has continued, consistently, to accord top priority status and support to the organisation and its main objectives. This commitment to ECOWAS on Nigeria’s part arises from the recognition of the strategic as well as economic importance of the organisation to the pursuit of Nigeria’s national interest in Africa and the world.

However, in spite of Nigeria’s massive support to ECOWAS since its founding some two decades ago, the march towards West African economic cooperation and integration has been painfully slow. Vertical links with industrialised countries in the North and/or ex-colonial powers have continuously obstructed the development of horizontal links between sister West African economies. There has also been a dearth of political will among the ECOWAS member states in implementing protocols or agreements or meaningfully seeking to harmonize economic policies across national borders. As the 20th century draws to a close and the international system is being reshaped by emergent economic blocs in Europe, North America, Asia, and the Pacific Rim, the urgency with which Africa, especially West Africa, needs to review economic cooperation and integration efforts and give them a greater push is very real. Greater regional cooperation and integration efforts are
perhaps one of the few flickers of hope left if Africa intends to contain its further marginalisation in a world increasingly dominated by competing blocs. Already, as it is, the economic conditions in sub-Saharan Africa are unflattering: The continent is home to the world’s poorest peoples and states, held down by corrupt dictators, drought, and external debt crisis, economic mismanagement, civil wars, and poverty which act as a brake on the developmental efforts articulated by individual African countries. It is within this context, that this study looks at the roles and options open to Nigeria within the context of West Africa for the promotion of regional economic cooperation and integration efforts that are beneficial to the country itself.

**Aim of the Book**

Nigeria has the largest economy in the West African sub-region. It is Africa’s leading exporter of crude petroleum and has its largest population (and domestic market) with a sizeable skilled labour force. Nigeria has all the potential of a regional power and with its industrial base, it could easily become the nucleus or growth core for West African integration. Among a growing number of Nigerian scholars and policy-makers, there is an increasing awareness that Nigerian-led economic integration offers the most viable path to the economic integration of West Africa. The issue then is how and under what conditions the process of pooling together the structurally weak and dependent economies of West African states into the formation of a virile economic union can be realised. This in turn leads to the more fundamentally question: How can Nigeria with its immense potential and resources, lead the march towards West African economic integration? Can the country effectively adapt its national interests and sovereignty to the imperatives of the leadership of regional integration efforts, without arousing the suspicion of sister West African states as to the genuineness of its intentions as a big and potentially powerful neighbour? Is it possible for the process of integration to neutralise the encumbrances of external vertical links, the activities (and, machinations) of ex-colonial powers who have a stake in Africa, deep-seated and multifaceted problems of accumulation, differences, at times quite wide in the levels of development of the various West African countries and the fact that they produce a fairly broad range of agricultural - and, to a lesser extent, industrial products? These are some of the issues considered in broad terms in this book.

In addressing the foregoing questions, the aim of the contributors to the book is to identify policy options available to Nigeria in the quest for West African integration. The problems which have confronted the movement
towards greater economic cooperation in West Africa, not least those associated with the dynamic of crisis and adjustment in West Africa that dominated life in the sub-region in the 1980s and early 1990s are identified and discussed. Meaningful policy options that could be adopted for overcoming the problems are presented by the various contributors to the book. The focus of the contributors, therefore, is strongly oriented towards policy issues arising out of the fact that the formal process of regional integration in West Africa is still backward and the desire to overcome that backwardness with Nigeria playing a central role on account of its population, the size of its economy, and its overall clout in the sub-region.

Structure of the Book

In a bid to underline the central role which regional economic integration efforts can play in the quest for African economic integration and the options which may be available to Nigeria in the West African sub-region, the Nigerian Institute of International Affairs (NIIA) organised a two-day National Seminar on West African Regional Economic Integration: Nigerian Policy Perspectives for the 1990's, and held between October 26-27, 1993. It brought together scholars, researchers, policy makers and bankers, Nigerian and non-Nigerian, in two days of robust brainstorming on the challenges confronting regional economic integration from a Nigerian viewpoint. At the end of the seminar, it was agreed that regional economic integration was desirable for West African countries, and that Nigeria had a crucial role to play in the process. Nigeria was therefore urged to pursue more vigorously and with the commensurate political will the process of integration, starting with its immediate neighbours in the eastern part of the sub-region before moving to the western part and the entire continent. The various chapters presented in this book, with the exception of this introductory overview, are revised versions of the papers tabled at the seminar on aspects of West Africa’s economic integration and the challenges confronting Nigerian policy in this regard.

In Chapter Two, which focuses on the state of Nigeria's trade relations with its immediate neighbours, Olukoshi and Obi place trade relations in a historical context to show the linkage between colonialism and the development of vertical rather than horizontal economic in West Africa. It links is argued in the chapter that the outcome of this nexus is that very little trade takes place at the formal level between Nigeria and her immediate neighbours. While underscoring the urgency of integration in the face of the emerging new, post-cold war world order and the economic crisis besetting sub-Saharan Africa, the
chapter also notes that structural adjustment, sponsored by the International Monetary Fund (IMF) and the World Bank, has done very little, to promote regional integration efforts. Indeed, SAP is at variance with the philosophy and goals of integration. The overall picture painted in the chapter is one of a CFA-importing Nigeria and a Nigeria, which in turn, exports agricultural produce, machinery, fertilizers and manufactured products to its immediate neighbours in the course of the 1980s as SAP’S effects began to be felt. Nigeria’s neighbours have been unable, thanks to a host of historical and contemporaneous factors, to take advantage of the large Nigerian market for their own growth or correct the imbalance in regional trade flows just as Nigeria, for all its exports, mostly informal, to the CFA zone have not translated into major improvements in domestic output. The scope for integration is also circumscribed by the fear and distrust of Nigeria’s intentions due to its size which some see as conferring a potential imperial status on it, the disparities in monetary and fiscal policies, and the problem of the economic structures of the countries themselves which leads them to produce for export mainly to advanced market economy countries, rather than to one another. It is argued that the way forward lies, among others, in removing all forms of distrust of Nigeria’s intentions in West Africa, paying greater attention to regional monetary and fiscal policy harmonisation, promoting better communications, and reversing the present state of economic dependence which saps the productive capacities of Nigeria and her neighbours.

In Chapter Three. Uka Ezenwe discusses the problems of and prospects for greater agricultural and industrial production in West Africa with reference to Nigeria’s options. The chapter rests on the thesis that national policies constitute the main determinants of economic growth in ECOWAS member states. In Ezenwe’s view, integration can only succeed when a healthy policy environment is created for agricultural and industrial production. While noting that agriculture accounts for 23-50 per cent of GDP of West African states and employs between 50-91 per cent of the labour force in various countries, the author points out that most of the produce is packaged for export to the developed markets of Europe and North America, a fact which re-inforces the observation in Chapter Two that the pattern of agricultural production and export encourages vertical ties rather than horizontal trade flows. Ezenwe argues that the transformation of existing agricultural production systems is a sine qua non for successful integration. The empowerment of the rural poor through enhanced incomes is advocated as a spur not only to accelerated production for food security, but also to increased raw material production for industrial use. The need to have an urgent transformation of agricultural technology in the area
of tools, improved seedlings, storage facilities, cooperatives, research and development and infrastructure is also emphasised.

After undertaking a critique of the existing state of industrial and technological development, Ezenwe observes that the sector in West African countries is underdeveloped. He therefore argues not only for its radical transformation but also emphasizes that the industrial sector should, in its development, be organically tied to the agricultural sector. It should also have a strong rural base and should be self-sustaining.

In terms of the policy options for Nigeria, Ezenwe campaigns vigorously for the strengthening of Nigeria's role in ECOWAS. He advocates a twin-pronged policy for the Nigeria: Accelerated national production and the aggressive expansion of intra-ECOWAS trade. Focussing on the structural adjustment programme as a strategy of economic development and debt management in ECOWAS member states, Ezenwe calls for a review of SAP in favour of some state interventionism in order to mitigate the harsh effects of SAP. On the basis of the foregoing, Ezenwe concludes that Nigeria is best placed to be the industrial power house of a rejuvenated ECOWAS.

The fourth and fifth chapters dwell on monetary and fiscal issues in West African integration and the options open to Nigeria. Eghosa Osagie cautions in chapter Four on monetary integration against rushing into regional monetary integration simply because other parts of the world are doing so. He identifies several objective factors which will lay a firm basis for West African monetary integration. These include the political commitment to integrate by member states, the willingness to implement agreements and protocols designed to move integration forward, and the breaking of the umbilical cord of dependency between former African protectorates and colonies and metropolitan Europe. After delving into a historical treatment of the role of money in the economic development of West Africa, especially the role of Britain and France in establishing exclusive currency zones, Osagie shows that after independence, the retention of the francophone monetary system worked against larger West African economic interests. Other factors militating against integration are identified as follows: Lack of commitment, lack of political will, the fear of big states by small ones, the suspicion of Anglophone by Francophone states and vice versa, disregard for the Lagos Plan of Action and the discouragement of intra-African trade. Against this background of the poor pace of integration efforts so far, Osagie argues that monetary integration cannot succeed; in the absence of enabling historical antecedents. As with other contributions to this book, he advocates for rapid economic integration in the face of economic crisis.
Osagie observes that with Nigeria being the most industrialised member state as well as the largest market in ECOWAS, it had to play a leadership role in the sub-region. In relation to the issue of monetary integration, he notes the weak state of existing currencies and their disparities, Osagie advocates the adoption of a supranational and strong currency for the ECOWAS region. He suggests that only interested nations should be allowed to participate to eliminate the chances of ganging up along linguistic lines.

In chapter five, Obadan and Egbon, writing under the title, 'Strategies for Harmonizing Fiscal and Monetary Policies in west Africa', consider critically the prospects for West African monetary integration and the harmonization of fiscal policies, against the backdrop of a history of monetary and fiscal disharmonies in the West African sub-region. The authors review the concepts of monetary integration and fiscal harmonization in general and offer an overview of the experiences of ECOWAS in the fields of monetary cooperation and fiscal coordination against the background of the features of the economies in the sub-region.

In reviewing the economic performance of ECOWAS states, Obadan and Egbon, like Ezenwe and Osagie, report that the results of SAP have been disappointing. They point out that SAP has worsened existing structural economic weaknesses and has served to exacerbate the competitive, rather than the complementary output structures of the West African states whose agricultural and mineral production are directed at the developed countries of Europe and North America. The implication of this is the low level (less than 5 per cent) of intra-community trade. Other barriers to market integration are identified as infrastructural problems, shortage of foreign exchange, trade barriers and financial constraints. They observe that ECOWAS currencies are not mutually convertible thereby making monetary transactions between member states difficult. That this situation persists, inspite of the decision by ECOWAS heads of state in July 1987 to pursue steps towards the harmonization of the monetary and financial policies of member-states is interpreted by the authors to imply the lack of political will to implement the laudable goal of harmonising monetary and fiscal policies.

In the face of the scanty progress that has been recorded in the direction of monetary and fiscal harmonisation in West Africa, Obadan and Egbon suggest measures for giving policy regional integration as they pertain to those issues a boost. Their suggestions include:

(i) The adoption of a free trade area;
(ii) A Convertibility Agreement; and
iii) The harmonisation of economic policies.

Zeroing in on Nigeria and her immediate neighbours, Obadan and Egbon observe that the existing differences in monetary policies between Nigeria and her neighbours constitute the basis on which current integration in efforts the sub-region are being pursued. The massive devaluation of the Naira and the overvaluation of the CFA over time led to severe economic distortions in West Africa. While devaluation made Nigerian goods cheaper in the CFA countries leading to a favourable balance of trade for the country, with adverse effects on local agriculture and industry in neighbouring states, Nigeria itself has paid a heavy cost internally in terms of high production costs, inflation, as well as capital flight. The authors therefore urge for the resolution of these distortions and the mitigation of their adverse effects on West African integration through the holding of discussions targeted at removing the major impediments to the harmonisation of monetary and fiscal policies between Nigeria and her immediate neighbours, which constitute the core of West African integration.

Kate Meagher’s contribution, which is chapter six of this study discusses Nigeria’s centrality to the food security strategies of her Sahelian neighbours and the changes in trade flows with her coastal neighbours. In Meagher’s view, while these developments are perceived in the francophone countries as being a healthy one for Nigeria (even though it provides them with cheap food and enables citizens to maintain their purchasing power in the face of salary cuts or unemployment) on the assumption that it signifies increased Nigerian productivity or that the outflow constitute a tiny proportion of Nigeria’s food production, Nigerians see the development as a negative one. People on the Nigeria side argue that the smuggling of food and agricultural products to neighbouring states is leading to scarcity and high prices domestically. The chapter thus dwells on the contradictory views held on a potentially complementary relationship. It raises a number of issues as to the nature of trade and food flows and the role of complementarities or competitiveness in the evolution of cross-border trade. After looking at the evolution of cross-border trade in the pre-colonial, colonial and post-colonial periods, Meagher captures the growth of complementarities (based on ecological specialization) on a regional scale over time, and then observes that the collapse of the Naira and consumer demand with the coming of SAP, has placed complementarity under direct threat.

Meagher points out that SAP calls to question the beneficial impact and sustainability of Nigeria’s new role as the food basket of the West African sub-
region. The basis of this lies in the situation in which though food exports have grown, the local costs are very high in terms of high domestic prices, coupled with the high cost of agricultural equipment and fertilizer (which are often smuggled to neighbouring countries), high labour costs and shrinking real incomes. She thus argues that within the context of SAP, Nigeria’s food security is being threatened. Looking at cross-border trade and the food security of Nigeria’s Francophone neighbours, Meagher concludes that cross-border food trade places stress on Nigeria’s food security in the neighbouring states as well. As a way out, she proffers a strategy of development based on the reinforcement of structures of production rather than the liberalisation of markets. She makes a case for the promotion of complementarities alongside selective liberalisation and the addressing of the issue of monetary differences.

The last chapter, Chapter Seven, by A.I. Asiwaju makes a compelling call for a shift from state-centric and sovereignty-centred strategies of integration which stop at the level of the Heads of State to the integration of people and the dissolution of artificial borders. He underscores the urgency of this shift in the face of a newly emerging world order and technological revolution that is rendering the state-centric model of integration obsolete. Asiwaju opines that the approach taken to West African integration must respond to global trends in a manner that reflects the grassroots realities of transborder relations and interactions. To him, a necessary starting point for such a programme of integration must be a forum on borderlands - whose peoples have historically resisted the barrier effects of borders, colonial and post-colonial. Transborder cooperation thus becomes a modality for ensuring that both sides work in unison for development and security at the borders. Using the case of the National Boundary Commission, Asiwaju proffers a basis for institutionalising transborder cooperation and conflict resolution. He offers a detailed description of the Commission, its evolution, structure, and successes and suggests that working together with neighbouring states as well as some external bodies such as CINERGIE, Nigerians stand to benefit immensely from the consolidation of transborder cooperation and good neighbourliness, which would act as the kernels of a renewed drive in West African integration.

Concluding Remarks

It is clear from all of the foregoing that most of the contributors to this volume consider the structural adjustment programmes, adopted by various West African states to be a major impediment to the process of integration in the sub-region. Of particular concern is the fact that all over the ECOWAS zone, SAP has undermined the structures of production without which no enduring process
of integration can be achieved. The implementation of SAP in one country has created a variety of distortions in other countries, distortions exacerbated by the continuing survival of the Franc Zone, the consequent monetary and fiscal policy disharmony, and the generalized absence of reform policy harmonization. Not only did each West African state adopt SAP independently of the others, the pace of implementation of the programme and the performance criteria agreed with the donors differ. Furthermore, the currency devaluation which was so central to the adjustment packages imposed by the IMF and the World Bank on the Anglophone states of West Africa was absent for a long while in the programmes prescribed for the Francophone states for the simple reason that France supports and profits from the existence of a Franc CFA zone to which all West African Francophone states belong. Even after the devaluation in January 1994 of the Franc CFA by 50 per cent relative to the French Franc, the Francophone states still maintain a fixed exchange rate while most of the Anglophone states maintain a flexible, floating rate (Nigeria decided in January 1994 to fix its rate in response to domestic pressures).

If the West African sub-region was, before the onset of economic crisis, bedeviled by the absence of policy harmonisation in spite of the efforts made at the ECOWAS level for the realisation of this objective, the entry of SAP into the economic crisis management strategies of the countries further complicated the task of harmonisation. Each country made its own deal with the donor community led by the IMF and the World Bank: the process of decision-making that led to adoption of SAP did not provide for consultation with other ECOWAS countries: the reports on the progress of the countries with the implementation was sent to the donors: the philosophical essence and policy thrust of the programme did not factor in other countries: and the expected results of the programme as well as its macro-economic objectives were designed to reinforce vertical linkages with the Western states and not horizontal linkages among West African states. In the framework of this situation, it was left to informal sector operatives to seek to take advantage of the effects of distortions associated with fiscal and monetary policy disharmony to carry on cross-border trade in the sub-region. The challenge which we believe is posed is one which entails the formulation of reform policies which enable West African states to take greater cognisance of one another in order to strengthen the structures of production, and promote the process of formal regional economic transactions.
Chapter Two

The State of Nigeria’s Trade Relations with its Neighbours: Issues and Problems

A.O. Olukoshi and C.I. Obi

Introduction: The Background

Trade relations between the communities/states that were to be constituted into the Nigerian state by the forces of British colonialism and their neighbours date far back into the pre-colonial era. These trade relations were developed side by side with other equally long-established ties whether these be ethno-cultural, politico-diplomatic or migratory. The long-established ties among and between the peoples of West Africa - organized in the 17th, 18th and 19th centuries into states, village communities, kingdoms and empires at various levels of pre-capitalist socio-economic development in turn encouraged numerous economic interactions. Pre-colonial trade transcended geographical zones and territorial boundaries and involved diverse groups of people. Among the more prominent patterns of trade that emerged were those between the coastal people and their neighbours in the densely forested hinterland, and between the latter and the people of the Savannah, which also served as the southern terminus of the trans-Saharan trade routes that linked ancient cities like Kano directly with the states of the Magrib and indirectly with Europe. Boundaries were still generally fluid because the state formation project was still going on and where they existed were points of contact, the market place where people more or less freely moved and traded.
To forestall a misunderstanding: The fact that the pre-colonial boundaries that existed in the West African area served generally as points of economic contact and trade does not mean that there were no obstacles to trade or that the region was necessarily integrated economically. On the contrary, within the context of their overall role as points of economic contact, the boundaries also increasingly became points at which the emerging state forms in the region levied tolls in order to consolidate their fiscal base. As the number and scale of the tolls increased, so too did they tend to impact on the content and direction of trade. While the available historical evidence does not suggest conclusively that the tolls necessarily hampered trans-border trade, what is certain is that as a result of an increasing problem of security, many trading groups, especially on the trans-Saharan routes, had to travel in armed convoys to and from the Savannah belt of West Africa.

Shortly before the arrival of the forces of colonialism in the 19th century, parts of the area which was to become Nigeria were engulfed in social and political upheavals associated with the state formation and consolidation process in the region. To the North, was the Sokoto Jihad led by Usman Dan Fodio which sought to create a centralized caliphate, while the disintegration of Old Oyo Alafinate had led to a rash of civil wars among splinter Yoruba states struggling to assert themselves over 'new' territories. These social upheavals, disruptive though they were, did not however totally upset the existing patterns or volumes of trade, even as various communities had to respond increasingly to the impetus of the activities of European traders at the coast.

The process of the colonial conquest - the political expression of European imperial pursuit led to the carving up of Africa among the main European imperialist powers, namely the British, French, Portuguese and Germans and the imposition of artificial boundaries on people who had lived and traded together over the centuries. What set the colonially-imposed boundaries aside from the pre-colonial ones was their rigidity and the fact that they were constructed to serve as demarcation lines between economic territories that were to relate less to one another and more with the colonizing European countries. In other words, the boundaries were created to discourage horizontal trade flows and encourage vertical ties between the colony and the metropole. Within each of the artificial boundaries, the colonial state acted at the behest of the imperialist power that created it and to protect the economic imperatives of the metropolitan colonial power. Thus at independence, strong umbilical economic links tied the new African states to their former colonial overlords. More specifically it concretized the integration of individual African states in varying degrees into the international capitalist system. Thus the
economies were designed and functioned to supply primary products - agricultural produce and mineral resources to the metropoles of imperialism or advanced market economy countries. The distortions embedded in the colonial mode of accumulation precluded the development of strong and extensive economic relations between the colonial states in part because of the vertical integration of the colonies with the Metropole. Thus while the Nigerian colonial economy served the interests of the British, those of its immediate Francophone neighbours, namely, Benin (then Dahomey), Niger, Chad and Cameroon were fashioned to serve the needs of France. Apart from the exploitative ethos of colonial capitalism, it undermined the centuries-old traditional trade relations that had existed among the people. This external intervention was to have implications for the trade relations between Nigeria and her neighbours in the post-independence era.

Although in the post-colonial period there was a shift in Nigeria’s trade relations from the dominant Nigerian British nexus to a multilateral one (Fajana: 1980: 17), its orientation still showed the preponderance of the export of primary products to the advanced market-economy countries of Western Europe and North America and the importation of manufactured goods from these same countries. Its Francophone neighbours maintained their close relations with France aided in this regard by the creation of the Franc zone which France dominated. Within this scenario, trade relations between Nigeria and its neighbours accounted for a very small proportion of their total foreign trade. Although it has been pointed out that a lot of unrecorded or informal trade continues to take place across the ‘artificial’ borders of Nigeria and its immediate neighbours, almost overshadowing the low level of formal trade between and among them. Taken together, these informal flows still constitute a small proportion of the total trade of the sub-region. The foreign trade of West African countries continues to show a high degree of extraversion, directed at satisfying the demands of markets outside Africa. This trend has engaged the attention of the governments, researchers and policy-makers alike who seek to reverse this unwholesome trend and establish a firm basis for economic cooperation and African economic unity. The aim of such efforts are to pool the resources of Nigeria and its neighbours together in a regional effort to overcome the problems posed by economic under-development (Nwokedi: 1985: 45).

The urgency of regional cooperation is heightened by the economic crises that have engulfed Africa, particularly the sub-Saharan countries. The economic crises have, more than ever before, underscored the need to pool resources in order to transform the existing structures of trade and production.
in a manner that would enhance the prospects of economic recovery and long-
term growth. Since Nigeria and its neighbours constitute the most economically
dynamic and viable section of the West-African sub-region', (The Guardian: 1993a: 8) its centrality to the process of West African economic integration as a strategy of economic recovery and development cannot be lost to the discerning eye. However, this centrality is beset by some problems and distortions which form the concern of this chapter. While the major problem revolves around the distortions sown by the nature of the integration of Nigeria and its neighbours into the global economy during colonial rule, others, not unrelated to the legacy of colonialism, include the structural weaknesses of West African economies, the problems of poor transport and communication links, the absence of monetary integration, political instability, the status of Nigeria as a sub-regional power, the largeness of its market, the weakness of the states in the subregion in setting up sustainable institutions, monetary guidelines and infrastructure that would promote both production and trade, the structure of trade, extra-African influences which are becoming more pronounced in the new global power relations thrown up by the post-cold war environment, and the debilitating debt crisis that has engulfed the entire sub-region.

The chapter is set out in three parts. In this introductory section which is the first part, we have discussed the main background issues in West African trade and the parameters for the subsequent analysis. The second part discussed the main issues and problems involved in Nigeria’s trade relations with its neighbours. The final part sums up the arguments we have made and proffers some policy recommendations.

The State of Trade Relations: Issues and Problems

As has been mentioned in the earlier part of this chapter, Nigeria’s trade relations with its neighbours exists at a relatively low level when compared with the country’s links with the advanced western economies. Although the structure of its West African trade networks is complex and dynamic, involving a lot of informal trade, formal trade has been circumscribed by a host of historical, political, attitudinal and social factors. What this translates into concretely is that the volume of trade between Nigeria and its neighbours is a mere trickle compared with the volume of trade between Nigeria and the advanced market economy countries of Europe, America and Asia. However, developments at the global level, including global political unipolarity and the rise of multilateral economic alliances (such as the North American Free Trade Area (NAFTA), the European Community (EC), Asia-Pacific Economic Cooperation (APEC), the
European Economic Area (EEA), and the Association of South East Asian Nations (ASEAN) throw up a fresh challenge for Africa if it is to reverse the growing danger of economic marginalization, especially in the area of trade and investment, as the world moves towards the 21st Century. It is clear that with Nigeria’s resources and the imperatives of the survival and stability of the West African region, the major issue is how to devise a strategy for the rapid integration of the economies in the sub-region so as to protect Africa’s interest in the growing global scenario of integrated markets. The main issue in our immediate context therefore, is how to integrate the economies of Nigeria and her neighbours as a step in the economic integration of West Africa and then Africa. This would involve the integration and expansion of trade relations as a mutually beneficial interaction between Nigeria and her neighbours based on the principles of comparative cost advantage, the complementarity of markets and the need to recognise that the most viable option for survival and development in the emerging world order lies in regional economic integration. The development of trade relations will have to be anchored on an integrated programme of agricultural and industrial production in the West Africa sub-region. For no integration project can endure which is not anchored on production and its expansion within the integrating region.

However, while we recognise the importance of the economic integration of West Africa as central to any effort at transforming the sub-region, we hasten to add that such an integrated market must be protected from the highly competitive products from other integrated markets outside Africa for a period at least. Integration theory rests on the assumption that in order to succeed, an economic cooperation project should be based on a liberalization of the movement of capital goods, services and labour within the integrating region and selective closure to the rest of the world especially in areas where the potential for productive growth exist in the region. We also recognise that it is imperative that a viable political framework based on democratic governance with the commensurate political will should guide the process of West African integration, a process which should also have as its focus the majority of the people. There is therefore the need to work out an economic and political agenda that would act as the framework through which market integration can be undertaken and its gains optimized.

In setting about the task of establishing a new framework for the economic integration of Nigeria and its neighbours, it is necessary to review the existing problems that have militated against existing efforts at regional cooperation and how these can be solved with a view to paving the way for an advanced level of integration by the turn of the century. As we noted earlier,
many of these problems cannot be separated from the legacy of colonialism in West Africa.

One of the most important problems obstructing West African regional integration efforts centres on monetary and exchange rate issues. The existing differences in the monetary and exchange rate policies of the countries of West Africa both before and especially after the adoption of structural adjustment programmes have adversely affected cross border trade. Of recent, participants at a Seminar held in Cotonou, Benin Republic, in May 1993, noting the drastic decline of the Naira and the overvaluation of the CFA Franc, observed that the differences in monetary policies between Nigeria and the Franc zone countries of Benin, Cameroon, Chad and Niger remained the main cause of the distortions in economic relationships in West Africa. (The Guardian, May 11, 1993b: 3).

The devaluation of the Naira by some 1,000 per cent within six years (Nwosu, 1992: 15) has made products from Nigeria (both those produced locally and those imported) cheaper and more attractive to its Franc zone neighbours. The result has been an apparently favourable balance of trade for Nigeria and the decline of the industries of neighbouring countries whose goods are no longer competitive in the Nigerian market and in the face of Nigerian imports into their home markets (Regional Economic Integration Issues between Nigeria, Benin, Cameroon, Nigeria and Chad, 1993). The convertibility of the CFA has made it attractive to people engaged in legal and illegal cross border trade, persons in search of hard currency for financing their businesses in Nigeria, and others promoting capital flight or attempting to repatriate capital through the export of Nigerian food and cash crops.

Although it may appear on the face of things that Nigeria is gaining from the increased export of its products and cash crops, while the industries of neighbouring countries go to ruin, it must be pointed out that in reality, very little is gained in terms of returns to Nigeria. The convertibility of the CFA makes it very attractive to cross-border money launderers, speculators, traders and others seeking to transfer millions of Naira from Nigeria to European banks.¹ The massive inflow of CFAs into Nigeria both as a result of the activities of Nigerian business actors, especially traders and speculators, but also as a result of the rush into the Nigerian market by Francophone traders seeking to use the advantage of the strength of the CFA vis-a-vis the Naira to procure all manner of goods has resulted in the wide availability of that currency in the Nigerian foreign exchange market, including the parallel market and numerous bureaux de change where they are most traded. The bureaux de change and parallel market CFAs are however not employed to support production in Nigeria but rather are transferred to Europe as part of the flight of capital from
the country that has so undermined the economy since the early 1980s. Thus, although Nigerian businessmen and women did not need to go to the Francophone countries in order to earn the CFA from about 1989 onward when bureaux de change were licensed to operate in the country, the speculative logic involved in the use to which CFA is put has not been eroded. Whether obtained on the Nigerian foreign exchange market or from the CFA countries, the CFA continues to serve the interests of money launderers and speculators whose activities have undermined local production all over West Africa.

It should be added that part of the problem of illegal monetary transfers out of the West African sub-region lies in the inability of the West African Clearing House (WACH) to facilitate and regulate cross-border monetary transfers. This institutional weakness has thus provided leeways for various agents to take advantage of differences in the monetary and exchange rate policies of West African States. The smuggling of refined petroleum products to the Francophone countries also robs Nigeria of a lot of revenue running into billions of Naira annually. It is therefore clear that for any reasonable progress to be recorded in the economic integration of Nigeria and her neighbours, there should be a dialogue aimed at the harmonization of monetary policies. A first step towards this will have to involve the countries of the sub-region gaining or re-establishing control over their monetary and exchange rate policies, policies which since the early 1980s, in the context of the adjustment programmes adopted by or imposed on West African states, have been determined from Washington in the case of the Anglophone countries and continue to be controlled from Paris in the case of the Francophones.

It is important for us to gain a full understanding of the dimensions of the difficulties posed by distortions in the exchange rates that are ruling in West Africa currently. The sharp depreciation of the Naira since 1987 has taken place in the context of the fixed parity of the CFA Franc vis-a-vis the French Franc as well as its convertibility. Given the Naira’s own status as an inconvertible currency and its drastic decline, bordering on its destruction as a store of value, and in the context of the adjustment programme of the Nigerian state, various economic actors on the Nigerian side have been pushed to export various commodities to the Francophone countries in order to earn CFA Francs. Even as these exports are taking place, imports from the Francophone countries have generally declined because they have become extremely expensive in the face of the Naira’s depreciation. With cheap agricultural and manufactured goods from Nigeria flowing into the Francophone countries, agricultural and industrial production in those countries have been adversely affected. The main import from the Francophone countries to Nigeria has become the CFA Franc which
is more easily available than other convertible currencies like the US dollar, the Pound Sterling or Deutche Mark whose flow into Nigeria is mainly through the oil receipts domiciled with the Central Bank and made available to business interests at the foreign exchange auction. Although the flow of food crops to the Francophone states from Nigeria has created a semblance of food security in those countries, it has affected local agricultural production in those countries. Manufactured goods exports from Nigeria have also had a similar effect.

"Subsidized" goods from Nigeria including petroleum products and farm inputs like fertilizers are also extensively sold to the neighbouring Francophone countries mainly through informal channels (Olukoshi, 1993 (b)).

It is easy to conclude that because of the massive flow of goods from Nigeria to Francophone West Africa which the massive devaluation of the Naira has triggered, the Nigerian economy is a net winner from this development. Such a conclusion will however be misleading. The very factor which has stimulated the flow of goods from Nigeria to other West African states has, in conjunction with other factors, severely undermined local production structures in Nigeria itself even as trade flows from the country to its neighbours already affect local production in these countries. The drastic devaluation of the Naira from a position of near parity with the US Dollar to N22 to the dollar officially and N42 to the dollar un-officially as of the end of September 1993 has severely affected Nigeria’s import-dependent factories, making it difficult for them to meet the huge and escalating Naira costs of financing their raw materials and capital goods needs. The fact that the Naira, even in its depreciated state, has not stabilized vis-a-vis other currencies since 1982, continuing to slide downwards at times widely, has compounded the problems of industry making effective production, pricing/marketing and investment planning difficult. The collapse of consumer purchasing power on account of the devaluation of the Naira and the inflationary spiral generated by or associated with devaluation has left many firms with unsold stocks. Furthermore, interest rate deregulation, which resulted in bank lending rates rising to between 40 and 60 per cent complicated matters more for industrial investors as did the trade liberalization component of the structural adjustment programme which encouraged dumping and thus helped to further undermine local factory production (Olukoshi, 1993 (a)). Not surprisingly therefore, industrial capacity utilization in Nigeria since 1987 have averaged between 30 and 40 per cent even as Nigerian exports to neighbouring Francophone countries appear to be growing massively. It is also worth stressing that an important element in exports from Nigeria to its neighbours are goods, largely from South east Asia and China but also from Europe and North America.
originally imported into Nigeria taking advantage of the liberalization of trade in the country and the deregulation of exchange rate procedures.

Clearly, West African countries are faced with serious problems on account of the difficulties created by the massive devaluation of the naira and its continuing depreciation and the imminence of the devaluation of the CFA Franc. The steady erosion of agricultural and industrial productive capacity in the sub-region on account of this threatens the regional integration project especially given that no project of integration can succeed in the long term which is not built on solid production structures. The decision announced on August 1, 1993 to suspend the repurchase of Franc CFA rates exported outside of the Francophone West African Franc Zone is not likely to seriously solve this problem. Indeed, evidence available suggests that it has largely been ineffective in checking the flow of CFA Franc to Nigeria given the Naira’s continuing depreciation. The existing pattern of trade which has been created on regional exchange rate distortions therefore continues unabated to the detriment of the region’s structures of production.

The large size of the Nigerian market is a factor which could easily have been translated into a major building block for regional integration. However, except for the importation through informal channels of a few luxury goods and consumer products like cigarettes into Nigeria, and the importation to Nigeria of agro-pastoral products (and even this is declining noticeably), signs are that the neighbouring states have not fully taken advantage of the opportunities offered by the size of the Nigerian market. In this regard, it is ironic that while the trade liberalization component of the structural adjustment programme which the International Monetary Fund (IMF) and the World Bank have been pushing in West Africa has focused on and resulted in the opening up of the economies of the region to imports from Europe, North America and Asia, it has done very little to promote greater intra-regional trade. SAP, and especially its trade liberalization component, is clearly philosophically and in practice antithetical to regional integration. The seeming imbalance in regional trade flows in West Africa can however begin to be redressed through a systematic appraisal and coordination of regional productive capacities and potentials based partly on comparative cost advantage. The aim should be to enable Nigeria’s neighbours to produce cheap goods for the Nigerian market in the context of a harmonized, mutually beneficial exchange rate policy. In this way, a mutually beneficial market nexus can be established.

Another factor that has affected trade relations is the economic structure of the countries themselves, which in turn affects the structure of trade. All the states of West Africa, with varying degrees of success, adopted the import-
substitution industrialization strategy at independence: The strategy emphasized the importation of semi-processed raw materials or components from the highly industrialized countries of Europe and America usually by local subsidiaries of Multinational corporations or state companies, for final processing and assembly in local industries, making use of cheap domestic labour. The consequence of this was that these countries produced broadly similar goods which reduced the potential for exchange. Similarly, in agriculture, the countries of the sub-region produce broadly similar commodities, making the scope for worthwhile exchange rather small. This is not to deny the existence of trade flows in agricultural produce across climatic and vegetation belts (in products from the Savannah to the forest and coastal zones and vice versa). What is being stressed is that the volume of trade in agricultural goods has rather been curtailed especially in the cash crop economy, where the states produced broadly similar goods and where the concern is with exporting direct to the world market for foreign exchange. The industrial and agricultural structures of the West African states thus respond more to the dictates of the advanced capitalist economies of the West to which they are vertically integrated than to one another. This of course, is a legacy of the colonial period and it is one which the countries of West Africa have found difficult to overcome given the neo-colonial linkages that tie them to the former colonial powers in the context of post-1945 multilateral imperialism.

The status of Nigeria as a sub-regional power throws up several issues. The most important of these is the suspicion of Nigeria in Francophone West Africa and a lingering fear that it might dominate them. Although Nigeria’s West African policy is based on good neighbourliness (Nwokedi: Ibid 4), it also engenders suspicion as to whether good neighbourliness is not a cloak for the pursuit of an "imperialist" agenda. The result is that Nigeria’s policy of good neighbourliness has generally produced a mix or "cooperation, competition and conflict" (Nwokedi: Ibid). The scope for mutually beneficial cooperation is thus unduly narrowed, with many countries preferring to do business with extra-African powers like France. Such extra-African powers have also exploited the fear of Nigerian domination to limit the scale of cooperation in West Africa to their own advantage and to the benefit of their economies.

There is no doubt that with its enormous resources, its large market, its population, the size of its armed forces, and its diplomatic clout, Nigeria has all the potentials of a sub-regional power. However, the evidence seems to suggest that this potential had not fed fully into the process of regional integration. Apart from pre-occupation with its enormous domestic political problems, Nigeria’s involvement in West African affairs has predominantly been informed
by security and humanitarian considerations. It involvement in peace-keeping operations in Chad and to some extent in Liberia and Sierra Leone underscore this orientation. Also the series of bilateral pacts reached with Benin, Niger, Chad and Cameroon over the years showed the preponderance of security-related issues (Ate and Akinterinwa, 1992) such as smuggling, the repatriation of criminals, fugitives, etc. What this shows is that inspite of its status, Nigeria is yet to fully pursue economic integration with its neighbours. even though it has been the financial pillar of ECOWAS. This perhaps is due to non-economic factors, but it is clear that Nigeria needs to move forward and play the expected leadership role by being at the vanguard of economic integration. This would involve deploying economic integration to the top of the national agenda, winning the confidence of its Francophone neighbours as to the mutually beneficial nature of integration, promoting private sector participation in neighbouring economies alongside the provision of Nigerian support for strategic developmental projects in the neighbouring francophone states. In terms of changing current attitudes of 'competition'. Nigeria must as a matter of urgency ensure that the conditions for mass literacy in French are established in Nigeria. In addition, French should be made compulsory in the post-primary curriculum as a way of bridging the communication gap with its neighbours while disabusing Francophone minds that market integration would lead to a Nigerian hegemony in the sub-region.

In seeking to bring about market integration between Nigeria and her francophone neighbours, there is a need to harmonize their economic, social and political policies. Regional considerations must begin to be given vital treatment alongside national priorities. The difficulty in sustaining multilateral linkages has been traced to the absence of political consensus and the dearth of funds and technical expertise (Nwokedi: ibid:46). Thus the 'necessity of adopting' a regional approach to national policy design' (Cotonou Meeting, 1993) appears to be the most viable alternative. Not only would it enable the integrating countries to pool their resources, it would also offer a basis for cooperation. A vital sector where Nigeria could aid its neighbours is the energy sector. While Nigeria supplies Niger Republic with electricity, it could also benefit by setting up outlets for refined petroleum products in these countries. Not only will this mitigate the effects of the smuggling of petroleum products, it will provide its neighbours with relatively cheaper fuel. Such fuel could be slightly subsidized in exchange for concessionary imports from these countries.

Another problem that hinders trade relations is the poor state of the infrastructure that should enhance the free movement of people, goods and services. Although Nigeria has contributed a lot in terms of road construction
across border areas, there is a need to improve upon existing links and the support of multi-lateral donors could be sought for this.

As has been mentioned earlier, there are some extra-African powers whose powerful presence in the sub-region in the form of strategic interests and economic and commercial investments have adverse implications for the development of trade relations between countries of the sub-region. Table 1 shows that Nigeria's import and export trade is dominated by the countries of Western Europe, the United Kingdom, the United States and Japan. For while in the Fourth quarter of 1989, Western Europe accounted for ₦3,149.2 million worth of exports and ₦6,130.3 million worth of exports to regional groupings, ECOWAS accounted for a mere ₦57.7 million worth of imports and ₦1,072.2 million worth of exports for the same period. What this shows is that Nigeria's trade with its neighbours accounts for a small percentage of its international trade, which is clearly dominated by the advanced market economy countries. With the further opening up of these economies through the trade liberalization component of the Structural Adjustment Programmes (SAPs), being undertaken under IMF/World Bank supervision, it would seem that there exists a contradiction between the goals of these SAPs and those of regional integration. For while the former seeks the further opening up of national economies for foreign investment and the rolling back of the frontiers of state intervention in the economic sphere, the latter seeks to integrate economies across national boundaries with the active involvement of the integrating states. Thus West African regional integration will have to contend with colonially-established economic structures which hamper the pace and content of cooperation between Nigeria and its neighbours.

It is however instructive to note that while the advanced market economy countries are currently being integrated into regional trading blocs, they prefer to do business with individual African states. There is thus a need for an equal response to protect the countries of West Africa from the likely effects which the coming together of their principal trading partners into trading blocs might generate. Such a response will be most effective if it is undertaken through the integration of the markets of the sub-region and the expansion of trade relations among West African states. In a post-cold war era that will be dominated by competing trading blocs, market integration in Africa will prepare the continent for the task of meeting the challenges its further marginalization in global trade might provoke. Apart from putting the brakes on marginalization, it would prepare the way for re-negotiating the place of the continent in the international division of labour.

Finally, and closely related to the above is the question of the debt
management crisis that has beset the sub-region. With almost half of its earnings committed to debt servicing. Nigeria's economy in general has been adversely affected as have the economies of the other West African countries whose debt servicing obligations are also heavy relative to the size of their economies. The debt crisis has affected trade relations in West Africa as the states deploy their resources to servicing debt and not on promoting cooperation. The resources spent on debt service are used at the expense of pressing local economic and social needs, including the sustenance of industrial production and the strengthening of consumer purchasing power while the industries of the sub-region operate at well below their installed capacities, the regional markets are flooded by cheap products from America, Europe and South East Asia under the policy of import liberalization being promoted by the SAP strategy of debt management. The debt crisis in our view has therefore served to undermine further the trade between Nigeria and her neighbours. Apart from the decline in national production, a lot of the trade has been in commodities imported from countries outside Africa. These more competitive products displace the market for products which originate from within the sub-region, further hurting the crisis-hit economies.

An important point that is closely related to the issue of economic crisis and debt management is that of the process of democratization which is currently sweeping through the sub-region. While the transition process has fully taken place in Benin, Niger and to some extent the Gambia, the situation in countries like Togo, Sierra Leone, Senegal, Cote d'Ivoire, Nigeria and others remains unclear. The result of the political stresses created by the resistance of many incumbents to democratization projects in their countries is that a lot of attention and energy is shifted to "national security" questions, while regional economic cooperation imperatives take the back seat. It also saps the political commitment of the states to regional cooperation matters as leaders are mainly concerned with issues of immediate national and political relevance, that is the stabilization of power relations within their national borders, rather than the sensitive issue of giving up a little bit of their 'sovereignty' for the purpose of market integration.

Conclusion

From the foregoing discussion on the problems and issues in Nigeria's trade relations with its neighbours, it is clear that the state of affairs is far from being satisfactory. It is also clear, that the West African sub-region is well-placed to reap the full benefits of economic integration, which would not only aid development efforts, but will put the participants at an advantage vis-a-vis
other regional groups in a post-cold war world order characterized by the spread of economic blocs. Although the federal government of Nigeria has done a lot in terms of bilateral relations with its neighbours and the massive support it lends to the Economic Community of West Africa States, there is no doubt that there is an urgent need to develop the political will and capacity to think and act regionally and enter into direct political dialogue with the neighbouring states. The first step will involve earning the trust of these governments and building cross-border alliances centred on the local people who live in these communities. People-centredness in our opinion must be the nucleus of market integration if it is to act successfully as the catalyst for the improvement of Nigeria’s trade relations with her neighbours. This should be pursued side-by-side with a regional strategy for reviving production: agricultural and industrial, in West Africa so that the regional integration effect can be anchored on a firm foundation.

There is also a need to improve on existing communication networks, the low level of indigenous cross-border entrepreneurship and the state or knowledge about our peoples, their common histories, shared experiences and common destiny. The opportunities for investment, cooperation, aid and exchange must be properly disseminated so that these can be taken advantage of. Once artificial barriers are broken down and better understanding established, a firm ground would have been established for better trade relations.

Fundamentally, the present state of economic dependence and crisis pervading the sub-region are inimical to trade relations between the states of the region. The present asymmetrical links to industrialized countries of the North, and the credit institutions of the West continue to undermine integration. One viable option for tackling the dependency syndrome would be to make the industrialized nations and the donor agencies to deal with the region as an integrated unit, or for Nigeria and its neighbours to integrate their markets based on their immense potential, and to set up a firmer basis for dealing with the present distribution of advantage in international trade.

What all of this point to is that the policy option confronting Nigeria and her neighbours in the 21st century is either to enhance their relations via economic integration or to face more difficult times on their own. Here, Nigeria by virtue of its resources, capacities and diplomatic clout is clearly placed at an advantage to play a leadership role. This should by no means be taken to mean a sub-imperial role, as Nigeria has demonstrated enough goodwill in the past to show that it does not have any hegemonic designs in the sub-region. Leadership in this context connotes partnership, a partnership between Nigeria and her
neighbours to march towards market integration as a step towards regional and continental integration. This is a journey which must be undertaken for our sake, for our peoples sake if only to be free from repeating the mistakes of this century in the next.

**TABLE 1**

**INTERNATIONAL TRADE (NIGERIA)**

**IMPORTS BY REGIONAL GROUPINGS**

(₦ million)

<table>
<thead>
<tr>
<th>Year &amp; Quarter</th>
<th>Common-wealth Countries</th>
<th>Eastern Europe</th>
<th>Japan</th>
<th>United Kingdom</th>
<th>U.S.A.</th>
<th>ECOWAS</th>
<th>Western Europe</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>304.1</td>
<td>238.7</td>
<td>408.3</td>
<td>1,098.7</td>
<td>741.7</td>
<td>29.3</td>
<td>2,110.7</td>
<td>328.1</td>
<td>5,636.9</td>
</tr>
<tr>
<td>1986</td>
<td>312.4</td>
<td>411.9</td>
<td>309.9</td>
<td>1,075.0</td>
<td>712.0</td>
<td>47.6</td>
<td>2,704.3</td>
<td>605.4</td>
<td>5,971.9</td>
</tr>
<tr>
<td>1987</td>
<td>628.2</td>
<td>1,200.0</td>
<td>11,417.6</td>
<td>2,641.3</td>
<td>11,004.9</td>
<td>215.5</td>
<td>7,088.4</td>
<td>1,428.1</td>
<td>15,696.9</td>
</tr>
<tr>
<td>1988</td>
<td>356.6</td>
<td>338.1</td>
<td>723.5</td>
<td>415.9</td>
<td>70.2</td>
<td>1,228.9</td>
<td>1,153.8</td>
<td>4,539.3</td>
<td></td>
</tr>
<tr>
<td>1st Quarter</td>
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**EXPORTS AND RE-EXPORTS BY REGIONAL GROUPINGS**

(₦ million)

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Bibliography


Regional Economic Integration Issues between Nigeria, Benin, Cameroon, Nigeria and Chad, Cotonou meeting, May 6-8, 1993, Mimeograph.


NOTES

1. As a result of the massive export of CFA Francs out of the Francophone countries of the non-Francophone economies of West Africa, many banks in Francophone West Africa have been faced with a major problem of the non-availability of liquidity. See West Africa, 11-17 October, 1993, p.1816.

2. What appears as a situation of food security for Nigeria’s Francophone neighbours on account of the flow of cheap agricultural goods from Nigeria to them since the Naira’s devaluation translates to increasing food insecurity for many of Nigeria’s rural and urban households. The increased cost of food crops in local markets on accounts of aggressive exporting aimed at earning the CFA and the occasional sharp scarcities that occur have triggered a public outcry in Nigeria especially over the escalating prices of such staples as garri, maize, and sorghum.

3. Commodities like cigarettes which flow through Nigeria’s neighbours into the Nigerian market are tied to the trading strategies of multinational tobacco companies which faced, with the strength of the anti-tobacco lobby in Europe and North America, have set their sights on Africa as part of their strategy to maintain market realization and profitability. The Nigerian Tobacco company, tied to the British-American Tobacco Company (BATC), for example, has been depressing its output locally in Nigeria whilst its parent steps up exports to the country through Niger Republic.
Chapter Three

Problems of and Prospects for Greater Agricultural and Industrial Production in West Africa: Options for Nigeria

Uka Ezenwe

"It is in the agricultural sector that the battle for long-term economic development will be won or lost"

- Gunnar Myrdal

Introduction

When the Economic Community of West African States (ECOWAS) was born on 28th May, 1975 in Lagos, amidst pomp and pageantry, it was heralded as the beginning of a new era in the history of economic cooperation in West Africa. It was assumed that some degree of what can be described as an "enabling environment" already existed for an orderly and successful integration of West Africa. However, after almost two decades of attempts at regional integration, ECOWAS appears to have achieved very limited results both at the individual country and at the regional levels.

ECOWAS' poor performance has been blamed largely on several factors including adherence by planners to the classical approach to economic integration, differences in "industrial climate" among members, the currency
convertibility problem, the existence of other rival integration schemes, tardiness in policy implementation, non-complementarity of tradeable goods, underdeveloped transport and telecommunications systems ill-suited for intra-regional trade, the difficulty with the determination of an appropriate level of common external tariff in a region where governments rely heavily on tariff revenue to finance their annual budgets, and the role and position of Nigeria.

Perhaps, more important than any of these problems is the place of national policies in the process of economic integration. Integration cannot be a substitute for efficient policies and performance at the level of member-states. Indeed, national policies constitute, and will continue to constitute, the main determinants of the economic growth of the union members. It is against this back-drop that this short essay looks at agricultural and industrial production as part of an enabling environment for the advancement of economic integration in West Africa. Our emphasis is on the options open to Nigeria.

**Agricultural Production Structure and Policy**

Ecologically, West Africa is predominantly made up of primary producers, with the agricultural sector contributing between 23% and 50% of the GDP and employing 50-91% of the labour force; and their products are oriented to developed markets of Europe and North America rather than those of the sub-region. There are five principal crop belts consisting (from south to north) of:

1. rice and tree crops;
2. cassava, yam, maize, and tree crops;
3. guinea-corn, root crops;
4. millet, groundnuts and cattle;
5. occasional cereal cultivation by irrigation.

Although this classification may have its weaknesses, it has important implications for the role of agriculture, the volume and direction of trade, and the potentials for agro-based industries. The importance of agriculture in the sub-region is fully underscored by Article 24 of the revised Treaty of ECOWAS which states that:

Member states shall cooperate in the development of agriculture, forestry, livestock and fisheries in order to:

- ensure food security;
- increase production and productivity in agriculture,
conditions of work and generate employment opportunities in rural areas;

- enhance agricultural production through processing locally, animal and plant products; and

- protect the prices of export commodities on the international market.

Members are further enjoined to cooperate in other allied fields - such as in the production of agricultural inputs, the development of river and lake basins, the development and protection of marine and fishery resources, plant and animal protection and the harmonization of agricultural development strategies to ensure the attainment of the above objectives.

Unfortunately, the existing pattern of agricultural production in the region is competitive rather than complementary since the agricultural products of ECOWAS members are similar, especially for food crop, root crops in the wet south, grains and legumes in the savanna. Consider that all the 16 countries of ECOWAS produce groundnuts but only eight export the product. About 75% of world cocoa is produced in West Africa. All produce rice but none exports it.

In the Vinerian sense, successful integration would require a degree of specialisation through trade creation, where an acceptable intra-union tariff level establishes a single market. Even so, this would be a long-term goal for West Africa. In the short-run, the focus of policy would be the radical transformation of the agricultural sector which may not require strict adherence to orthodox specialisation. Given the urgent need for food security in the face of rapid population growth, adequate supply of raw materials for industry, the increased processing of agricultural (raw) products, increased export receipts, enhancement of rural farm income which increases demand for the benefit of the masses, the thrust of policy would be the attainment of accelerated production of both cash and food crops at the national and regional levels.

The attainment of these goals require urgent technological transformation from the current age-old use of hoes and cutlasses to the use of more modern and appropriate technology including the use of simple farm implements, horse-drawn ploughs, locally made tools and mechanical devices, improved seedlings and seed varieties, fertilizers, pesticides, herbicides and insecticides, the development of storage facilities, formation of cooperatives, improving farming methods through adult literacy programmes and, especially in the case of Nigeria, a two-way relationship with the agricultural universities and research development institutions.
Furthermore, supplies of agricultural inputs should be increased and more efficiently distributed at affordable prices whilst access to the use of tractors and bank credit should be officially encouraged and monitored. especially in Nigeria where there is a large gulf between the Central Bank directives or guidelines and the actual operations of the commercial banks. River basin authorities in the arid region of West Africa should concentrate on infrastructural facilities like boreholes, energy, transportation and communication systems and functional mini-dams rather than the problematic huge ones.

Current State of Industrial and Technological Development

The rationale for regional market integration is predicated on capturing the benefits of economies of scale for existing and new industries. It is argued that West African countries, with the notable exception of Nigeria, and to a lesser extent Ghana, do not have the range of resources and an adequate population base to industrialize. Thus, market integration is necessary for their industrialization in order to create an optimal resource base as well as optimal markets for their industrial products. While this argument is compelling, its application requires further examination. A market’s optimality is determined more by its population’s income levels rather than by its sheer size. Conceivably, a resource base or large population does not necessarily ensure scale optimality. The Pacific Rim Asian countries today offer examples of where highly competitive export-oriented industrialization has been achieved with no resource advantages except for a technically proficient and hardworking labour force.

The industrial sector of West African countries is largely underdeveloped. Nigeria has, by far, the largest industrial base and manufacturing sector in the region, yet this sector accounted for only 8.3% of its GDP in 1991. The present state of industrial and technological underdevelopment of West Africa is characterised by:

- the predominance of low technology consumer goods such as cotton textile, vehicle assembly, soft drinks, soap and detergents, footwear, cement, paints, roofing sheets, beverages, etc;
- relative absence of capacity for intermediate and capital goods industries;
- over-reliance (on the average) on foreign inputs of the modern productive sectors including plant, machinery, equipment, personnel and financial capital;
- dearth of engineering and design capabilities as well as Research and
Development (R&D) capacity which is neither sufficiently funded nor coordinated and which is not integrated into the production system; absence of the capacity to utilise natural resources and in particular solid mineral resources; and lack of integration between agriculture and industrial production.

The net effect of these problems is a disarticulated industrial production base. The techno-industrial backwardness of West Africa (including Nigeria) is traceable in part to the post-independence leadership which has not been able to reverse the colonially imposed economic structures which are still heavily dependent on external sources. Our continued dependence on foreign machines, plants, equipments, technology and personnel tends to militate against the convergence of local demand and resource use. The dominance of mercantile capitalism (buying and selling) as opposed to productive capitalism (production of goods and services) has also resulted in the failure to commercialise local inventions. At the same time, consumption patterns supported by market forces, which we know do not guarantee the efficient allocation of resources in a developing environment, have served to inhibit the increase of local production and innovation.

The institutions that should support industrialization such as financial institutions, in their preoccupation with high profits, reinforce this non-productive form of capitalism. Local development of technology is not sufficiently and aggressively pursued whilst emphasis is placed on imported technology which, for the most part, may not be appropriate, and could impose other costs on the importing economy.

Within ECOWAS, of course, differences persist in the levels of local equity holding in industrial activities. Serious disagreement has developed on the enforcement of the ECOWAS Rules of Origin on this score. The stiff criteria of 51% national equity holding and 35% value added for determining goods of local origin have severely limited the number of products which could be included in the ECOWAS trade liberalization programme. Originally, the national equity holding was planned to increase from 20% in 1983 to 40% in 1986 and, finally, to 51% in May 1989. While many industries in Nigeria and Ghana qualified for tariff preferences, those in Cote d’Ivoire and Senegal hardly did since the industrial plants in the latter group have considerable foreign investments. It follows from the foregoing problems that industrialization has to be local-driven, a fact which the post-independence leadership in West Africa has failed to adequately address.
Integration of Agricultural and Industrial Production

It is in the agricultural sector that the battle for industrialization should decisively commence. As noted earlier, agriculture does not only provide food, raw materials, foreign exchange, rural farm income and rural employment but is, *ipso facto*, a major source of capital formation for developing economies. The comparative advantage of West Africa compels it to start its industrialization process with the processing of agricultural raw materials; and the success of this phase or sub-sector depends largely on a successful agricultural revolution programme. Thus, the dividing line between the industrial sector and agriculture hardly exists during the early phases of industrialization.

However, in designing agro-based industrial programmes, preference must be given to rural based, social-oriented economically viable, employment generating, self-sustaining, agricultural industries. In Nigeria, an attempt has been made under the Fourth UNDP Country Programme to prioritize some selected projects with export expansion potential for official support. These include, inter alia, horticultural development for export, oil palm industry promotion, textile and leather industry development, shrimp product and market development, rubber industry rehabilitation, cocoa bean processing and product marketing, and fish processing, storage and marketing. Lack of careful orientation has often led to problems of choice of technology, economies of scale, appropriate location and integrated industries, especially in fertilizer and other agro-input industries.

Policy Issues and Options for Nigeria

Nigeria is only one of the 16 member countries of the ECOWAS. In practice, however, its position within the grouping is far more than that. With 60% of the region’s population, about 70% of its GDP and exports respectively, and 55% of the manufacturing industries in the zone, Nigeria has emerged as the undisputed leader of ECOWAS. Although Nigeria’s leadership role in ECOWAS appears to confirm a model of core state integration, the time has come, especially with the current heavy investments in human and material resources in the Liberian war, for a serious stock-taking. In the light of the current and future costs of membership vis-a-vis the current and expected future gains from ECOWAS, should Nigeria remain in grouping? It is the considered view of this author that Nigeria should stay, rationalize its involvement in Liberia, and deepen its membership of ECOWAS.

The reasons for this are obvious. Politically, the world, for reasons of security, solidarity and enhanced bargaining power, is moving towards
regionalism. With the continued expansion of the EEC, the new scheme involving Japan and the Pacific Rim states and the free trade area comprising United States, Canada and Mexico, almost every region of the world has an extant or prospective integration scheme. Economically, the short-term costs have been quite considerable but the long-term gains will more than outweigh the short-run losses, provided Nigeria adopts the correct strategies to exploit the options available to it.

The options centre on two broad areas:
- Acceleration of national production; and
- Aggressive expansion of intra-ECOWAS exports.

The introduction of the IMF/World Bank inspired Structural Adjustment Programme (SAP) in Nigeria since 1986 has had a profound effect on the economy. SAP policy instruments of public expenditure cuts, deregulation of interest rates, prices of goods and services, reduction of subsidies, adjustment of exchange rates, and privatization and commercialization, among others, have negatively affected output in some sectors of the economy. Market forces do not address all aspects of development. State intervention is necessary in the development process in order to direct the economy to areas of greater need or interest to the nation. Industrial capacity utilization stood at only 43% in 1990. Such a low level of capacity utilization unnecessarily increases the unit cost of production and, ipso facto, reduces the competitiveness of the producer, especially in the export market. Nigeria should, therefore, review SAP with a view to fine-tuning it for greater national production.

With respect to the aggressive expansion of intra-ECOWAS exports, some institutional problems persist. Perhaps, because of the preponderance of products from Nigeria and Ghana (73% of total in 1990), the ECOWAS trade liberalization scheme for industrial products which was adopted in 1983 is yet to take off after two postponements. However, despite the absence of preferential tariffs, some member states, including Nigeria, have been trading in the 90 approved products by the community. Indeed, one can easily run into plastic and textile products from Nigeria in practically all the West African markets. It is hoped that with the removal of ECOWAS’s internal problems and an improved and coordinated production environment at home, Nigeria will become the industrial power-house of West Africa.

Summary

Despite the poor performance of ECOWAS to date, there seems to be no other option open to the grouping than to march forward in the hope that time and perseverance will heal its wounds and strengthen it. The introduction
of SAP in individual countries has tended to compound rather than aid the
course of West African integration. A review of SAP is therefore called for in
order to ensure increased production and exchange in the region. ECOWAS
needs Nigerian leadership to survive in its present form and, despite the short-
term political and economic costs, Nigeria should provide it.

Recommendations

The Nigerian economy which has suffered a serious production and
commercial down-turn since the introduction of SAP in 1986 cannot effectively
provide the expected leadership without a sound economic base. The following
policy recommendations are therefore in order:

- Tremendous potentials exist in Nigeria for the expansion of agricultural
production through increase of hectareage cultivated, increased supply of
farm inputs, improved crop storage facilities and more effective pest
control measures, and these should be pursued by the government;

- Since meaningful industrialization can hardly take place without an
agricultural revolution in a place like Nigeria, government should show
greater interest in the development of the agricultural sector;

- Financial institutions should be required to give greater support to
producers of goods and services rather than distributors in the interest
of faster growth and development;

- The planned export promotion under the Fourth UNDP country
programme which emphasizes processing before export should be
vigorously pursued;

- The surrender to market forces under the IMF/World Bank inspired
SAP is damaging to the economy and should be discarded. Government
should feel free to intervene whenever such intervention will be in the
best interest of the economy;

- Lack of integration between agriculture and industrial production leads
to a disarticulated industrial production base, hence this integration is
necessary; and

- Nigeria has more to gain from the promotion of ECOWAS than any
Generalized System of Trade Preferences (GSTP) for developing
countries because strong exporters in South East Asia and Latin
America will out-compete her in the latter scheme. Thus, Nigeria should
support and nurture ECOWAS where it has comparative advantage.

In sum, the case for the economic integration of West Africa is unchallengeable.
But the political commitment is weak on the part of members. Even so, with a
spirited and purposeful leadership, there will be light at the end of the tunnel.
References


Introduction

It would be a major error of judgement to make a case for West African monetary integration merely on the basis of the fact that other parts of the global economy are moving in that direction. Africa has got to a point in her political and economic evolution where she must examine critically the concrete reality of her continental experience in the last few decades and on the basis of that, map out a course of policy action designed to get her out of current political and economic crises.

The issue of regionalism is admittedly one of several options open to sub-saharan African countries, the others being autarky, multilateralism, and bilateralism (IMF, 1992, pp.118-121). While it is clear that regionalism is a realistic compromise between free trade and protectionism, a proper analysis of its role in Africa should also consider its non-economic aspects and implications, in particular those aspects touching on national sovereignty and political restructuring in the direction of federalism.

Monetary integration should not be considered as a current vogue among countries going through the process of integration. Indeed, it would be naive to attempt to mimic the European Community (EC) with respect to the European Monetary Union (EMU) and the provisions of the now politicised Maastricht mechanism. It is important to note here that the EC’s experience
with regionalism did not start with monetary union, but at lower levels of integration, specifically a customs union, common market, and various levels of harmonisation of economic and social policies introduced since the Treaty of Rome established the European Community in 1957. European monetary union which is yet to go beyond the exchange rate mechanism is currently experiencing difficulties connected with keeping members within the band. In spite of these, there is a solid consensus for European monetary union not because it is fashionable, but because it is the logical step for an already highly integrated economic community status with a high percentage of intra-regional trade which is heading for the possible final stage of a federation. In the African context, a prior political commitment to integration, a willingness of member states to implement agreements and protocols designed to move the integration project forward, and to break the long-standing economic and attitudinal umbilical cord between former African protectorates and metropolitan Europe are pre-requisites for successful monetary integration.

Historical Background

Money occupies a critical place in the economic development of nations. Development is the result of expansion of production of goods and services in an economy. In turn, expansion in production is considerably facilitated by exchange transactions as surplus units seek to trade their excess production for goods which they do not produce but for which they have demand. In turn, trade, whether local or international is seriously constrained in a society devoid of a social invention called money. In effect, money encourages not only trade but also specialisation which is indispensable for efficient production of goods and services. Money helps in this way to raise the welfare of citizens.

The form of money which is of interest to us here is credit money or paper money which is what is used to facilitate international trade. Barter arrangements are no use for international trade as the transportation costs involved erode all gains arising from specialisation and exchange. To a lesser extent, commodity money exhibits similar disadvantages to those of barter. Credit money which is liability of the authority issuing it is most suitable for denominating international transactions and settling such transactions. It is the quality of credit money as liability of the authority issuing it that creates problems touching on sovereignty for countries seeking to join a monetary union. During the colonial period, the protectorate either used the same currency as the metropolitan money or had colonial currencies issued by currency boards which were rigidly linked with the metropolitan money. This was, indeed, in the
nature of things as the protectorate enjoyed no sovereignty and as metropolitan European powers, specifically Great Britain and France, sought to extend the territorial domains of their national currencies. The period after the attainment of independence in 1960 saw the disintegration of common currency arrangements in anglophone Africa as each of the former British colonies introduced national currencies managed by national central banks. In sharp contrast to developments in anglophone Africa, the monetary arrangements underlying the CFA inherited monetary union established during the colonial period were retained even after the former French colonies of West Africa attained independence. This divergence in development in currency integration experiments was to prove problematic to integration experiments cutting across the language divide in Africa. Francophone monetary union, while encouraging trade among member states, worked to frustrate the larger and more comprehensive project of such regional experiments as ECOWAS. Africa would have to resolve the problem of lack of significant progress towards economic integration in the remaining years of the twentieth century. Problems frustrating the realisation of this goal and considerations of options open to Nigeria in this matter are considered in the remaining part of this chapter.

African Attempts at Integration

An unmistakable trend in the international system in the second half of the twentieth century is the movement towards regional groupings. This phenomenon is a logical response to developments in science and technology and the growing importance of giant transnationals. These developments increasingly render the nation-state anachronistic and severely uncompetitive in manufacturing, as its limited market size adversely affects the capability of industries to exploit the economies of scale and thus be in a position to compete with the dominant transnationals. On the political front, the run-of-the-mill nation state is a poor match for such a continental super-power as the United States. It is in an attempt to overcome these economic and political disabilities that nation states in Europe, Latin America and Africa have chosen the path of regionalism. While, as hinted earlier, these schemes have fared better in Europe (EC) and the Americas (LAFTA and NAFTA), they have been largely unsuccessful in Africa. The Organisation of African Unity (OAU), the United Nations Economic Commission for Africa (ECA), and some African countries, notably Nigeria and Togo, have made heroic efforts at promoting regional groupings in Africa with little or nothing to show for them. It is probably not far off the mark to remark that the major achievement in this enterprise has been the establishment of several competing groupings particularly in West,
East, and Southern Africa. Other problems include lack of political will among several African countries for integration, deliberate discouragement of intra-African trade by national security and fiscal agents, distrust of the bigger members by smaller ones, the discouragement of francophone Africa from taking seriously autonomous regional experiments by France, and almost complete disregard by African governments of suggestions from the ECA such as the Lagos Plan of Action and the Final Act of Lagos encouraging continental African integration and self-sufficiency. A most important consideration in this catalogue of African failure in the area of regionalism is the introduction of structural adjustment programmes in about 33 African countries in the 1980s which made these countries pursue anti-growth economic policies completely disregarding the need to integrate with other contiguous African countries. Now that there is general agreement that these policies have failed, and several African countries, their currencies totally destroyed, are finding it most difficult to keep their heads above water in a largely hostile and unstable global economic environment, the stage is set to try once more to convince African countries of the desirability, indeed of the inevitability of regionalism if they are ever to be taken seriously in the emerging international system.

Monetary Integration in West Africa

It would have been myopic to have launched into a serious discussion of monetary integration in West Africa without first considering the historical antecedents covered in the previous sections. This is so because monetary integration does not stand independently on its own. To be meaningful, it has to be closely related to the success of regionalism in a geographical-economic area, a relatively high incidence of intra-regional-trade, and the readiness of governments of participating countries to harmonise monetary and fiscal policies. The European Community has largely succeeded in its pursuit of economic and monetary integration because it has satisfied above mentioned conditions and has in place a well developed money and exchange and capital markets which have facilitated the high degree of monetary integration attained so far. The North American Free Trade Area (NAFTA) incorporating the United States, Canada and Mexico, though established in the late 1980s, has a good chance of moving in the direction of monetary integration thanks to the existence of well established financial markets and the fact that the American dollar is generally acceptable as a universal medium of exchange.

The prospects of West African monetary integration are not as rosy as those of the EC and NAFTA. Policy makers have to develop further infrastructures to facilitate trading in financial instruments. Participating
governments would have to commit their countries to the success of integration in ECOWAS and resist suggestions from extra-African sources to stultify it. Most important, West African leaders must realise the unviable nature of the nation state within the context of recent developments in the international economy and be ready to create a new supra-nationalism by surrendering part of national sovereignty to it. It now appears that after the economic difficulties of the SAP-dominated 1980s, resulting in the massive devaluation of exchange rates, which left most African currencies as mere shadows of their original values, anglophone West Africa would be willing to give both economic and monetary integration another try in the 1990s. The recent commitment of France to European monetary union foreshadows an abandonment of the CFA franc system by France in the near future, a consideration which may have been responsible for the recent introduction of control over the exportation of CFA francs, and the devaluation of that currency in parallel exchange markets. These developments may make francophone West African countries well disposed to initiative promoting monetary integration in West Africa.

Nigeria occupies an important position in ECOWAS. It is the largest economy in the sub-region which provides ready market for some of her manufacturers. Indeed, a symbiotic relationship is gradually developing between Nigeria and other ECOWAS economies in which bankers, merchants, manufacturers and consultants exploit convenient economic opportunities. It is therefore expected that in the process of creating the West African monetary union, Nigeria has, and will continue to play a leading role.

It is necessary to note here the recent decision by ECOWAS regarding the introduction of a single currency in the sub-region. This decision may have been reached without member countries having the intention of implementing its provisions. Be that as it may, the time has come for Nigeria and other West African countries to give monetary integration the seriousness it rightly deserves.

For Nigeria, three policy options are conceivable. These are:

1. Maintaining the status quo;
2. Adoption of one of the current currencies; and
3. Introduction of a new single currency to replace all existing national currencies.

We shall now proceed to discuss each of these options pointing out their strengths and shortcomings, and finally recommending the optimal choice.
1. **Maintaining the Status quo**

   The only advantage of this option is that transactors are familiar with national currencies. However, the multiplicity of unviable national currencies whose exchange rates have been depreciating during the current SAP regime promotes inflation and discourages intra-African trade as each country strives to adjust external deficits. The CFA franc system breaches the principle of African independence as it entails French influence and tends to screen francophone West African countries from their anglophone neighbours. This frustrates growth in intra-West African trade. Even if francophone West Africa wants to retain the system, the commitment of France to Maastricht and European monetary union makes this option unrealistic in the future.

2. **Adoption of one of Current Currencies**

   This option is conceivable and worthy of consideration only if at least one of the currencies in the sub-region is strong, well managed and generally acceptable. In the 1970s, the Naira largely satisfied these criteria, the prospects for crowning the Naira were good. But deregulation of foreign exchange markets in non-CFA franc West African countries reduced such currencies as the Naira and Cedi to mere shadows of their original values as established by wise founding fathers. None of these currencies can be made the single currency in a monetary union as such a decision would imply building on a weak foundation. A few years back, it would have been conceivable to argue for the CFA franc being made the sole West African currency on the basis that it is already the single currency for a number of francophone countries making up the BCEAO, and that the legal instrument setting up the BCEAO could easily be amended to accommodate the other countries. However, current uncertainty about the future of the CFA franc, and French influence over that currency disqualify it from consideration as the sole currency in a West African monetary union. In view of these considerations, the choice of one of existing currencies is not advisable.

3. **Introduction of a New Currency**

   The introduction of a new currency to be used by all West African countries requires difficult and long drawn out negotiations between officials of Central Banks and other policy makers of member states. This option could be rendered unnecessary if member countries agree to maintain fixed exchange rates between their national currencies. This, however is not now possible given the reluctance to harmonise financial policies which in some countries are undisciplined and mismanaged. The introduction of a new currency and a new
Supranational central bank would induce member states to coordinate financial policies and deliberately promote intra-regional trade. The problem of surrender of national sovereignty is a major obstacle to be tackled under this option, a problem which could be taken care of under provisions in the legal agreement setting up a West African central bank.

The option of a single currency needs to be seriously considered. Efforts should be directed at establishing a *decentralised* central bank with branches in selected countries to carry out normal central bank functions. The principle of decentralisation should also ensure that monetary policy is made by experts independent of national governments and whose terms of appointment insulate them from political pressure. The branches would specialise in particular central banking transactions as may be determined by member countries. An important objective of the new central bank would be to maintain monetary and price stability within the sub-region and a regime of stable exchange rates where the currency is protected from speculation and exchange rates reflect relative purchasing power. Such a supranational currency would have to be regulated to avoid the disruptions brought about by deregulation in some of the countries in the 1980s. This option should be meticulously considered and adopted by Nigeria.

**Conclusion**

This paper supports regional integration in West Africa and goes further to consider three options for monetary integration. It rejects the options providing for retention of existing currencies and crowning one of the existing currencies because of problems undermining them. It recommends the introduction of an entirely new currency designed to promote further integration and disciplined management of the financial system. The proposed supranational central bank would be decentralised and managed by experts independent of political pressures. To prevent unnecessary politicisation of the operation of the bank, only countries that show genuine interest should participate, and the interest of each member state could be protected against possible gang-up along linguistic lines by use of the power of veto. To minimise the pains of transition to West African monetary integration, currencies that now lie prostrate as a result of the application of misguided adjustment policies of the 1980s should be rehabilitated by individual central banks before the introduction of the new currency.
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Strategies for Harmonizing Fiscal and Monetary Policies in West Africa

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I. Introduction

Article 2, subsection 2(h) of the ECOWAS Treaty categorically refers to the kind of harmonisation, required for the proper functioning of the West African community. It also refers to the monetary policies of the member states. The spirit and letters of the Article also calls for "the elimination as between the member states of customs duties and other charges of equivalent effect in respect of the importation and exportation of goods" and the harmonization of disparities in the level of development of members states."

But then what does "harmonisation of monetary and fiscal policies imply? What are the salient issues in the concepts, "monetary integration" and "fiscal harmonisation"? What are the prospects of having monetary integration side by side with fiscal harmonization in the West African sub-region, given the historical, monetary and fiscal disharmony in West African countries? Given Nigeria’s centrality in the West African Sub-region, what options are available to her to ensure the adoption of appropriate strategies?
This chapter attempts to address some of the issues raised in the preceding paragraph. Section II provides the conceptual and empirical framework for our analysis by reviewing briefly the concepts of "monetary integration" and "fiscal harmonization." It also examines the integration experiences of the European Community (EC) and the West African Monetary Union which is known by the acronym, UMOA. Section III discusses the experiences of ECOWAS in monetary cooperation and fiscal coordination against the background of the features of the economies. The discussion of strategies in Section IV is predicated on the observations in Section III. A short summary concludes the paper in Section V.

II. Conceptual and Empirical Framework

Monetary integration is the process of moving from the situation where each country or subset of countries within a region has its own currency or exchange arrangement, with different degrees of convertibility, into one where all countries within a region share a common currency and consequently a unified exchange arrangement under the supervision of a supranational monetary institution (McLoughlan, et al., 1982; 6). This situation represents a full monetary union which also has the feature of full convertibility implying the unrestricted exchange of the currency of a country into all other currencies without limitation on the usability of the currency for any foreign transaction. The attainment of this depends on the absence of exchange controls or restrictions in relation to the rest of the world, as well as absence of quantitative financial barriers to external transactions. Other notable features of a monetary union are that the rate of increase of money supply is jointly determined. A monetary union further implies the acceptance of a common inflation rate but this does not necessarily imply the balanced growth of member countries. An adjustment cost will necessarily be imposed on members as a result of the adoption of a mutually agreed amount of credit expansion. Any budget deficit by a member is expected to be financed from the union’s capital market at the ruling rate of interest, and the balance of payments of the entire union vis-a-vis the rest of the world must be regulated at the union level. Not only does monetary integration involve greater coordination of monetary and fiscal policies among member states with a view to increasing the volume of trade, it also rules out tariffs and quotas as policy instruments for regulation intra-union economic activities (Robson, 1980).

One of the costs of a monetary union is the loss of national autonomy in economic policy matters. Others are the loss of the exchange rate as an instrument for adjustment between members, the initial disinflation required to
enter a union, and the loss of seigniorage and inflation tax revenue (Cobham and Robson, 1993; 3). However, the benefits may be substantial - improvements in domestic and international resource allocation; reduction in interest rates on government debt; and resource savings from the pooling of foreign exchange reserves and the centralisation of monetary policy.

However, two phases may precede a full monetary union and these may be attractive to countries that are not yet committed to the goal of a full monetary union. The first phase is the Convertibility Agreement under which each country retains its own exchange arrangement and ensures full convertibility of its currency. This Agreement has the long-run potential of expanding trade but it imposes constraints in terms of the conduct of economic policy. In the Partial Monetary Union which is the second phase, members establish irrevocably fixed exchange rates between their currencies in addition to maintaining a convertibility agreement. However, since exchange rates are fixed, a partial monetary union necessarily entails less flexibility in the application of economic policies.

### 2.2 Fiscal Policy Harmonization

The theory of fiscal policy harmonization takes cognizance of the existence of diverse public policy objectives in the member states and evaluates the significance of differences in jurisdictional principles and types and rates of taxation within the context of both union and member-country objectives. It follows that for full economic union to be feasible, member countries need to share similar policy objectives and preferences for public goods and patterns of income distribution. This calls for a uniform and appropriate fiscal system and policies.

A major component of fiscal harmonization is tax harmonization analysis. This analysis focuses on the inter-country revenue implications of alternative harmonization arrangements in terms of the appropriate resources allocation criterion. The allocation issue in the harmonization of direct and indirect taxes is relevant since diversity of internal revenue systems may influence intra-union trade flows. Under the indirect taxes, the issues are:

- to what extent does the use of different forms of indirect taxation in various member countries produce a tax-induced mis-allocation of resources?
- what is the effect of jurisdictional principle on allocation effects of indirect taxes?
- should the indirect taxation rates in member countries be equalized to avoid distortions?
Given that the harmonization of direct taxes is mainly concerned with their influence on the relative prices of goods and services, the major efficiency issues are:

- the impact of differential in net tax burden between countries on the international migration of factors and the concomitant in terms of resource allocation autonomy of members;
- how to ensure inter-individual equity through the avoidance of double taxation due to overlapping of tax jurisdictions on a single activity; and
- equity between member states due to international distribution of tax revenues.

What emerges from the above is that the theory of fiscal harmonization is essentially concerned with the neutrality criterion applied to goods and factors moving within the union.

2.3 The Experience of EEC and UMOA

2.3.1 The European Economic Community (EEC)

In the 1950s, the EEC was conceived as a customs union devoid of the commitment to the coordination of economic and monetary policies. However, a number of measures were taken, especially in the sphere of trade liberalisation. These included elimination of customs duties, equivalent taxes and quota restriction on intra-community trade; gradual reduction of tariffs over a twelve year period culminating in the establishment of a Common External Tariff (CET); and the observance of a transition period within which to dismantle tariff and non-tariff barriers. The movement towards greater monetary integration became prominent in the late sixties and this was limited to the establishment of the European Common Margins Agreement - The Snake - in which some European Countries (Belgium, Luxembourg, the Netherlands, Norway, Sweden and Austria) were grouped around the deutsche mark (Habermeier and Ungerer, 1992).

The European Monetary System (EMS) came into being in March 1979. Participating currencies in the EMS exchange rate mechanism were to maintain a 2% margin of fluctuation around bilateral central rates expressed in terms of the European Currency Unit (ECU). The EMS arrangement remained largely unchanged until very recently when the system ran into trouble, and Britain and France withdrew their currencies. The various fiscal and monetary measures have been associated with expansion of the value or both intra-EEC trade and trade with the rest of the world.

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To safeguard price stability, an independent European Central Banking System (ECBS) was adjudged to offer the best assurance of such a monetary policy. The ECBS is said to have succeeded in creating a zone of exchange rate stability through a greater coordination of financial policies. In order to raise economic integration to a higher level, the Maastricht Agreement on the Economic and Monetary Union (EMU), and political union was signed. This Agreement involves three stages, namely:

(i) greater convergence of economic performance in the context of the existing framework;
(ii) setting up of the European Central Banking System (ECBS) and eventual common monetary policy;
(iii) setting up of irrevocably fixed exchange rates; common regional policies and introduction of a common currency. The EMU is expected to take-off in 1989. However, the ratification of the Maastricht Agreement has not been smooth sailing in some member countries.

2.3.2 The West African Monetary Union (UMOA)

The West African Monetary Union, at present comprises seven member-states of the Francophone currency zone - Republic of Benin, Burkina Faso, Cote d’Ivoire, Mali, Niger, Senegal, and Togo. The members of UMOA share a fully convertible currency (CFA Franc) issued by a supranational central bank (La Banque Centrale des Etats de l’Afrique de l’Ouest or BCEAO) which also oversees the operations of an external reserve pool. The CFA Franc is pegged to the French Franc and the rate has remained fixed for a very long time. The other features of the UMOA include the following:

(i) BCEAO conducts an annual programming exercise aimed at estimating credit requirements (Union-wide/Member Country) before it makes its credit allocation decisions. The Bank operates a common monetary policy for the member states;
(ii) Government’s borrowing from BCEAO is pegged at 20% of government’s fiscal receipt in the previous year;
(iii) Members are required to contribute 65% of their external reserves to an operations account, run by the BCEAO and maintained with the French Treasury in Paris. One of the implications of this arrangement is that a serious payments imbalance of one member is covered by the external assets of the others.

A number of lessons can be drawn from UMOA’s experience, some of which are as follows (Meohora, 1993):
(i) There is no *a priori* reason why a common currency area should also have uniform intra-regional trade and taxation policies. Since different governments have come to rely on the inflation tax for varying ratios of their total revenues, the creation of a common Central Bank, aimed at choosing an inflation policy at the low end of the regional spectrum members with traditionally high rates of inflation would (of necessity) face a larger adjustment than those with inflation rates close to the Union's goal;  

(ii) Where equalization payments are warranted within the framework of a monetary union, separation and transparency must exist;  

(iii) While managing the exchange rate is a valid task for a common Central Bank, there is no reason for the external value of the currency to be immutably fixed. The choice of exchange rate regime should be a matter specific to the economic and institutional features of a union;  

(iv) The possibility of a common Central Bank managing the nominal external value of a common currency raises a conflict. A monetary union without immutably fixed external parity would cover a country's deficit. This needs to be done within a rule stating when and how much to devalue and whether deficits are covered automatically or with conditions.

III. The ECOWAS Experience

3.1 *Some Features of the Economies of the ECOWAS*

In the decade of the 1980s, especially in the second half, many member-states of ECOWAS made tremendous and sustained attempts at economic reforms and restructuring. The adjustment and economic recovery programmes, which had the support the IMF and World Bank, were conceived and executed within the framework of individual national economies. And so the regional dimensions of the economic problems, in terms of solutions, and harmonization of the economic problems, in terms of solutions, and harmonization of economic policies in relation to integration objectives tended to be ignored. The results of adjustment have, however, not provided any cause for cheer in many member-states.¹ As Bundu (1990) has correctly observed:

¹ Recently, the World Bank named only Ghana and the Gambia as success cases of adjustment in West Africa.
The decade of the 1980s closed with scarcely any growth that would compensate the huge sacrifices made in the first half of that decade. Problems of indebtedness and balance of payments disequilibria, deteriorating terms of trade due to a protracted decline in commodity export prices, weakened national currencies, increasing national unemployment, rapid population growth and falling standards of living remain very much alive and continue to plague the economies of Member States. Not surprisingly the sub-region is witnessing waves of social discontent, sometimes with disquieting political implications.

At the heart of the unsatisfactory economic performance are the structural characteristics of West African economics. One of these is their weak industrial base coupled with competitive rather than complementary output structures. Competitiveness in the supply of primary products largely limits the demand for each other's products within the community and hence limits the chances of successful integration. Production is thus oriented towards foreign markets. In this regard, a majority of the export commodities which consist of agricultural and mineral products are exported to the developed countries of Europe and the USA. In the same way, the developed countries are also the major markets for the supply of ECOWAS imports, especially of capital and intermediate goods and food. This pattern of trade has been encouraged not only by generally weak industrial sector and infant and small-scale import-substituting manufacturing industries, but also by the resilience of old colonial connections, the relatively easier availability of financing from the industrial countries, and by the inadequacy of manufacturing capacity in member states (Committee of ECOWAS Central Bank Governors, 1992).

The major implication of the orientation of ECOWAS production to foreign markets is the very low level of intra-community formal trade which still averages less than 5%. The low intra-regional trade situation reflects not only the peculiar nature of the economic structure of member countries and structural rigidities, but also infrastructural problems, trade barriers, and financial constraints. The balance of payments problems and shortages of foreign exchange which have afflicted member states have compelled them to trade more with the major convertible currency countries of the developed countries rather than with each other. The characteristic features of ECOWAS monetary and payments arrangements, reflecting in the absence of regional monetary integration, also constrain the volume of intra-regional trade. Among the features are the proliferation of national currencies which are not mutually convertible; the entrenched practice of ECOWAS local banks passing their
international transactions through external multinational banking institutions; the
requirement of a large amount of scarce foreign exchange for commercial
transactions among community members; and the use of a large amount of cash
in intra-ECOWAS trade transactions because of the non-widespread use of other
payment instruments.

The pluralistic existence of as many as ten national currencies in the
West African sub-region and the inconvertibility of most of them impede the
free flow of goods and services, capital movements and unilateral transfers as it creates problems in the payments and inter-regional commercial transactions
arrangement. The immediate implication of this is that foreign trade imbalance incurred by ECOWAS members are settled by non-regional convertible
 currencies. Furthermore, the problem of different exchange rate regimes has
implications for overvaluation/undervaluation of national currencies. The
payments and exchange problems in the sub-region motivated the various
initiatives at monetary cooperation. But, as shown in the following sub-section,
the experiences of ECOWAS so far are discouraging, and thus raise questions
as to whether or not the sub-region is yet ready for a sophisticated form of
economic integration.

3.2 Fiscal Harmonisation and Monetary Integration in Perspective

3.2.1 Monetary integration/Harmonisation

Past efforts at monetary cooperation in the West African sub-region, like others in Africa, have been spurred by the prospects of greatly improved macro-
economic stability coupled with some stimulation to economic integration. The
expectation in both cases is that economic growth would be increased. Another
impulse is the hope and a possibility that greater independence of central banks
and credibility might be obtained in the framework of a monetary union within
which individual national governments will tend to neutralize each other and an
extra sub-regional involvement could play an important role (Cobham and
Robson, 1993).

Efforts at monetary cooperation in the ECOWAS Sub-region were
intensified in May, 1983 when the Authority of Heads of States and
Government directed that studies be conducted on the possibility of creating a
single ECOWAS Monetary Zone. By 1984, a Study Group was set up to look
into the need for an ECOWAS Monetary Zone.² While submitting its report,
the Study Group emphasised the need for a common currency.

² For the terms of reference see Tomori (1990).
exchange rate policy and common monetary policy. It also underlined the need for a common control of foreign exchange services with a common reserve pool. The need for fiscal harmonisation and an enduring structure to effectively administer and control a permanent monetary union was also stressed. (Nemedia, 1990). An implementation time-table for the monetary cooperation programme was adopted in July 1987 by the Authority of Heads of State and Government.

The programme involves the adoption of adjustment measures for the harmonisation of the monetary and financial policies of member states, leading eventually to the introduction of a common currency to be issued by the common monetary authority by the year 2000. Essentially, three major components were embodied in the 1987 ECOWAS monetary harmonisation programme. Among these are financial sector deregulation and greater reliance on the market mechanism (despite the under-development of the markets) in the use of available monetary policy instruments. Some countries, Nigeria included, have introduced open market operations to regulate liquidity in the system. Furthermore, in view of observed weaknesses and in order to strengthen the West African Clearing house (WACH) and make it more relevant to the regional monetary integration process, the Committee of Governors of West African Central Banks in 1991 caused a review of the functions, structure and operation of the WACH. The review report has been examined by the Governors who accepted to give WACH a new orientation.

However, the harmonisation of monetary, fiscal and exchange rate policies has been slow. This, coupled with inappropriate macro-economic policies, has been a hinderance to the integration process in the sub-region. The build-up of settlement arrears coupled with the absence of a credit guarantee fund in the WACH system have hindered the effectiveness of the clearing house. Financial integration has been further impeded by the absence of an extensive and efficient network of corresponding banking relationship among commercial and merchant banks in the sub-region. Thus, a lot still requires to be accomplished in order to move towards the long-term goal of full monetary integration. The important question, however, is whether or not ECOWAS countries have the political will to achieve this laudable goal.

3.2.2 Fiscal Policy Harmonisation

There has existed in the sub-region different tariff arrangements with pluralistic rates of customs duties. Besides protecting domestic infant industries from competition and from foreign producers, tariffs are aimed at earning
increased revenue for government. The trade liberalisation policy entailing the lowering of tariff walls creates a problem in the context of a monetary union. This is because most countries of the sub-region depend largely on custom and excise duties as sources of revenue (Omoruyi, 1986). With the asymmetries in overall tax structures in the sub-region and inter-country variation in the size of government budget, the problem that surfaces is how to device ways of harmonising the tax structures and sizes of government budgets including different profiles of overall borrowing requirements of each government in the union.

In the ECOWAS, the issue of trade liberalisation and the formation of an external common tariff have been on the integration agenda for quite sometime now. The same thing applies to the harmonization of internal indirect taxation in general. Adjustment policies implemented with the support of the World Bank and the IMF have been geared towards harmonising practices, especially the maintenance of specified deficit/GDP ratios.

The relevant authorities of ECOWAS began in 1979 to take decisions geared towards trade liberalisation in terms of abolition of quantitative restrictions on trade and elimination of tariff and non-tariff barriers. However, it was not until 1982 that the Authority of Heads of State took a giant step forward by adopting a single Trade Liberalisation Scheme (TLS) for industrial products originating from the community. The Scheme was to start simultaneously in all member states in May 1983. In order to implement the scheme, countries were classified into three groups corresponding to a differentiated time-table for the purpose of eliminating tariffs on priority industrial products and non-priority industrial products. The single TLS, however, failed to take-off. It was not until 1989 that interest appeared to have been rekindled in the scheme. In that year, the Authority of Heads of State Summit in Ouagadougou accorded the scheme top-most priority. And the Executive Secretary of ECOWAS announced the launching of the TLS on January 1, 1990. With this launching, member states were to remove completely all non-tariff barriers by January 1994. They were also to cease levying customs duties or taxes on community-originating goods or handicraft products with effect from January 1, 1990. For industrial products, the elimination of tariff barriers was to be more gradual depending on the category of industrial product and the group to which the exporting member belongs. It is rather worrisome, however, that the scheme has hardly taken off. As at the end of 1991, two years after launching of the TLS, there was no official record of a single trade transaction under the scheme (Bundu, 1991). Implementation has been poor and the situation has been such that the communique issued at the end of the 1992
summit of ECOWAS Heads of State held at Dakar, Senegal clearly reflected the
disappointment of the Heads of State at the lack of progress recorded by the
Community with respect to the TLS.

Complementary to the trade liberalisation scheme is the formulation of an
ECOWAS common external tariff. In this respect, the United Nations
Conference on Trade and Development (UNCTAD) in 1982 conducted a study
on behalf of ECOWAS on the establishment of a common external tariff.
Various preliminary discussions were held on the report. In 1991, the ECOWAS
Secretariat organised a meeting to enable tax experts of member states to
examine the earlier reports and make recommendations on the best way to
advance with the programme. It was expected that the outcome of the
discussions would form the basis of the activities to be undertaken by the
Secretariat in 1992 towards the formulation of the ECOWAS common external
tariff. Finally, in order to prepare guidelines for the harmonisation of internal
indirect taxation an ad hoc committee was set up. This Committee finalised the
draft convention establishing a Community Value Added Tax (VAT). It also
gave some guidelines on the preparation of a schedule for the implementation
of the VAT in Member States. So far, what is on the ground in terms of
concrete achievement of integration objectives does not portray much progress
in the sphere of fiscal harmonisation. Spade work has been done in many cases.
But the commitment to implement decision seem to be lacking.

IV. Strategies

ECOWAS has existed for nearly twenty years now. During these years,
numerous decisions have been taken and schemes adopted to further the cause
of economic integration. But most of these decisions and schemes have never
been implemented or taken seriously. With the benefit of hindsight, it now
seems that the member states of ECOWAS are not yet committed to the goal
of monetary and other aspects of economic integration, although these are very
desirable and the current global advance in the direction of regionalism and the
emergence of preferential trading blocks around the triad of the USA, the
European Community and Japan address the importance of economic integration
for the survival of national economies. No notable results have been achieved
so far. Not only is the level of intra-regional trade still very low in relation to
trade with the developed countries, most ECOWAS economies suffered
significant declines in the decade of the eighties and beyond. The problem is
that the strategies of the integration schemes, specifically the trade liberalisation
and monetary cooperation programmes, appear to be overly optimistic in
relation to the degree of commitment to the goal of integration by member
states. The will to integrate is very much shaky. And as Obadan (1993) has observed, the lack of political will and commitment to implement community decisions has been a major stumbling block to integration efforts. At the level of the Authority of Heads of State, there is every indication of political commitment during ECOWAS summit meetings. But the political input at the national level tapers off soon after. This perhaps confirms the observation that the non-implementation of programmes and policies depicts member states as reveling only in rhetorics and the social aspects of adopting resolutions, and signing protocols and agreements. After many years of attaining political independence, factors such as economic nationalism and attachment to notions of sovereignty are still very strong and exert a negative influence on implementation of community decisions. The ambivalence exhibited by ECOWAS countries on the issue of political will must, however, be noted. While, for example, political will and commitment to sub-regional groupings and international organisations that compete with ECOWAS are conspicuously high, the same is lacking in the broader ECOWAS grouping. Apart from the issue of political will, other forces and practices work against the advance of regionalism in ECOWAS. In this regard, still featuring prominently are features such as sentimental attachment to issues of sovereignty, development of national currencies, and the existence of different exchange rate regimes and payments restrictions. Under such and other prevailing conditions, as Osagie (1992 has argued:

"It would be a mere waste of time to consider the establishment of monetary integration when forces are working to frustrate the growth of intra-regional trade and payments. Current conditions militating against economic integration would need to be changed to prepare the ground for monetary integration in the future." We share this view and state that the existing political commitment does not support sophisticated integration schemes.

In the sphere of fiscal policy coordination, Cobham and Robson (1993) have observed that this is more difficult to organise in Africa compared to the European Community because there is less machinery for the making and implementation of policies. However, given the low level of intra-African trade flows, the macro-economic spillover effects in the African context are much smaller so that there is less danger of the overall fiscal monetary policy mix determined by independent national central banks’ monetary decisions-being severely sub-optimal. And so the type of harmonisation that may be required for member states’ fiscal, monetary, and credit policies would be in terms of setting limits.
On the issue of harmonisation of customs duties, policies as they relate to the elimination of duties on the products of member-states and the formulation of a common external tariff was, this has turned out to be very ambitious. Even the existence of the ECOWAS Fund for Compensation and Development has not encouraged member states to implement the Trade Liberalisation Scheme. It is necessary, therefore, to reduce the scale and comprehensiveness of the schemes which should be implemented in the context of a Free Trade Area. Once this is functioning well and commitment to the goal of higher level integration is demonstrated, then arrangements to achieve a customs union and full monetary integration can be made. Within this framework which is predicated on the premise that ECOWAS countries are yet to be committed to the goal of monetary integration and overall economic integration but are interested in moving towards it, the following strategies are suggested:

1. *Adoption of a Free Trade Area (FTA)*
   
   As a less sophisticated framework for economic cooperation, the FTA will provide ECOWAS member states with an arrangement that seems to be consistent with their existing level of political commitment to integration. The arrangement entails free trade among member states but devoid of a common external tariff.

2. *Convertibility Agreement*

   This entails going beyond the intermediate component of limited convertibility in the current Monetary Cooperation Programme to the implementation of a full convertibility agreement. Under this agreement, each member state would be allowed to continue its own exchange arrangement, but it must agree to exchange without restrictions the currency of any other country within the sub-region at rates to be determined by the cross rates between that currency and that of the reference/intervention currency. In this regard, a choice could be made between the SDR and the European Currency Unit (ECU). Pegging to the ECU may be considered in view of the fact that the volume of ECOWAS trade with Europe is higher than that with the USA or Japan. The recent troubles of some currencies in the EC Exchange Rate Mechanism (ERM) notwithstanding, the ECU appears to be strong enough not to be affected by developments in the West African sub-region.

   Apart from the advantage of simplicity and transparency which pegging to ECU entails, ECOWAS countries can avoid the problems of asymmetries and imbalances because the external anchor will be strong enough to ensure that no
individual West African country would be able to pull other countries with it in a direction in which they do not want to go (Cobham and Robson, 1993; 19). Pegging may also bring relative stability to ECOWAS currencies, especially the non-UMOA currencies which at least are heavily depreciated. Besides, pegging to a common external reference currency will provide those countries not yet committed to monetary integration a clear first measure which avoids the question of whether convergence or intra-member exchange rate fixity should take precedence. However, convertibility of both current and capital account transaction would result in considerable convergence in terms of macro-economic policies and inflation rates. It will also have beneficial effects on investment and trade in the sub-region, consequent upon the overall improvement in resource allocation, as well as ensure a reduced need for foreign exchange resources.

The benefits of full convertibility may not, however, be achieved without some costs which relate to constraints on the conduct of economic policy. One point to stress in concluding this sub-section is that the pegging of each member country’s currency to an external anchor should be seen as a phase that can lead to the adoption of a common ECOWAS currency once the member countries are sure of their commitment to the goal of monetary integration.

3. Harmonisation of Economic Policies

As was noted before, many member states have been implementing structural adjustment programmes supported by the Bretton Woods institutions. Although the objectives of these programmes have generally been the same (for example, maintenance of a favourable balance of payments position, control of inflationary pressures and increase of GDP growth), the adjustment programmes have been designed without taking into account the spill-over effects on the economies of neighbouring countries. It is, therefore, desirable to ensure the harmonisation of adjustment policies within the context of the attainment of regional integration objectives. Performance criteria would have to be set in the spheres of control of inflation, management of government fiscal operation and balance of payments. These would further entail the setting up of a monitoring mechanism for the implementation of economic policies. Specifically:

- Considering the differentials in growth rates in the economies of the sub-region and the concomitant different rates of credit growth requirements, each member state should adopt a monetary expansion policy consistent with the growth of output. This will assist the policy of maintaining price stability.
To ensure efficiency in the use of domestic financial resources, more credit should be provided for the private sector in relation to the government sector.

The harmonisation of fiscal policies would require the pegging of budget deficits at 4 or 5% of GDP to ensure compatibility with price stability. A common ceiling on member central banks’ financing of government deficit is also desirable. In this regard, a 20% per cent ceiling based on the previous year’s government revenue seems to attract general acceptance (Munu, 1986; Medhora, 1993). But given the existing realities in terms of the size of deficits in member countries, a range of 20-25% is suggested. It must be noted, however, that the implementation of these policies would be facilitated if the goal is a full monetary union and a supranational central bank is in place. Such a monetary institution, if independent, should be able to ensure compliance.

4. **Relationship Between Nigeria and Its’s Neighbours in the Sub-Region**

It is felt (in some quarters) that Nigeria’s is yet to fully pursue economic integration with its neighbours, even though it has been the financial pillar of ECOWAS. To integrate the economies of Nigeria and her neighbours would involve the integration and expansion of trade relations as a mutually beneficial interaction between them (Nigeria and her neighbours) and consistent with the principles of comparative cost advantage, the complementarity of markets and the recognition that a viable survival cum development option in the new world order lies in regional economic integration (Olukoshi and Obi 1993).

The existing differences in the monetary policies of Nigeria and her neighbouring West African countries constitute the bane of integration. The drastic decline of the Naira and the overvaluation of the CFA Franc constitute a major source of distortions in economic relationships. The massive devaluation of the Naira has affected Nigeria’s import dependent industries, given the huge and ever-growing Naira cost of financing their raw materials and capital goods needs. The interest rate deregulation resulted in rising bank lending rates, thus complicating the industrial investment climate. Concomitantly, industrial capacity utilisation in Nigeria (since 1986) averages 28 to 35%.

The unprecedented devaluation of the Naira has made Nigeria’s products cheaper and more attractive to its franc zone neighbours, ensuring a favourable balance of trade for Nigeria and the decline of the industries of neighbouring
countries whose goods are no longer competitive in the Nigerian market. The convertibility of the CFA has encouraged illegal cross border trade thus promoting capital flight through the export of Nigerian food and cash crops. The smuggling of refined petroleum products to other countries (in the West African Sub-region) denies Nigeria of a lot of revenue annually.

So far, it is clear that there exists a steady decline in agricultural and industrial production capacity (in the face of massive devaluation of the Naira and overvaluation of the CFA Franc) in the sub-region. Consequently, for progress to be made in the integration of Nigeria’s economy with those of her neighbours, a round-table discussion targeted at the smoothening of the major differences in both their monetary and fiscal policies is absolutely necessary.

V. Summary

This chapter has examined strategies for achieving monetary and fiscal policy harmonisation in the West African sub-region. It has argued that the ECOWAS is not lacking in strategies, decisions and schemes geared towards economic integration. But these have not been backed up by concrete achievements in terms of realising the goals of monetary integration and fiscal harmonisation. One major reason for this is that the strategies and schemes have been overly optimistic in relation to the commitment of member states to the goal of economic integration. The low level of political will and commitment of member states have been a stumbling block to the integration process. What does seem clear is that ECOWAS is not yet ready for advanced or sophisticated economic integration schemes. Accordingly, it is necessary to scale down the scope and comprehensiveness of the monetary integration and fiscal harmonisation schemes, which should be implemented within the framework of a Free Trade Area. The form of monetary arrangement that appears feasible is the convertibility agreement under which the member states’ currencies will be pegged to an external anchor. Once the suggested arrangements are functioning well, and commitment to the goal of higher order integration is demonstrated, then further measures can be introduced to achieve a customs union and full monetary integration. The harmonisation of economic policies is also feasible in the sphere of setting performance limits in the areas of budget deficits, monetary growth and borrowing requirements of government.

It is also posited that, given the centrality of Nigeria in the sub-region and the gradual but steady decline in the regional agricultural and industrial productive capacity, there is the need for a round-table discussion (between Nigeria and the neighbours) aimed at smoothening out the distorting elements
in their policies, both monetary and fiscal.
References


ECOWAS. Treaty of the Economic Community of West African States


Chapter Six

Regional Complementarities or Policy Disparities?: Cross-Border Trade and Food Security Among Nigeria and Her Sahelian and Coastal Neighbours

Kate Meagher

Introduction

In recent years, discussions on integration in West Africa have taken a more practical turn. Attention has shifted from Pan-Africanist state projects to a consideration of integrated economic activities already on the ground, particularly in the informal sphere. In West Africa, the existence since pre-colonial times, of an active regional trade in food crops and livestock appears to suggest considerable potential for the development of a viable regional food security strategy rooted in ecological complementarities and the existing practices of traders, farmers and other grassroots economic actors. In the case of Nigeria and her neighbours, the liberalisation of production and marketing structures under the influence of structural adjustment programmes (SAPs) has accelerated cross-border food trade, giving further impetus to the integrationist optimism that pervades the eastern part of the West African sub-region.

Since the latter half of the 1970s, cross-border trade with Nigeria has been central to the food security strategies of Nigeria’s Sahelian neighbours, Niger and Chad, which are faced with an increasingly structural food deficit as a result of drought and, in the case of Chad, an ongoing war. For Nigeria’s
coastal neighbours, Benin and Cameroon, food trade with Nigeria has been far
less significant until fairly recently, and has for most of that time involved food
supplies to, rather than from Nigeria. In the past few years, however, inflows
of Nigerian produce and inputs have become an increasingly significant feature
of food supply and price formation in these countries as well.

There is, however, a sharp divergence of perspectives as to whether
these developments are creating the basis for a sustainable food security strategy
in the sub-region - a divergence that appears to be based more on differences
in economic experience than on differences in ideology. On the one hand,
officials, donor agencies and scholars based in France or Francophone West
Africa tend to adopt the view that cross-border trade in local produce within the
West African sub-region generally promotes food security (Mahamane et al,
1993; Egg & Igue 1993). On the other hand, a large proportion of Nigerian
officials, academics, and a wide spectrum of organs of civil society from
industrialists to the media take the position that cross-border trade is detrimental
to Nigerian food security (ANAERLS 1990; Kolawole 1989; National Concord
10/6/91:5).

The Francophone position is broadly in line with the free market­
oriented view that the liberalisation of trade will enlarge markets, increase
incomes and promote productive investment, which in turn would have a
positive effect on the production of, and access to food. Perhaps more
significantly, however, the Francophone perspective reflects the experience of
many Francophone West African countries concerning the actual impact of
cross-border trade on their own food security. Faced with the ravages of SAP,
the tendency of a strong CFA Franc to attract inflows, of food crops and other
goods from Nigeria has provided a number of advantages. The availability of
cheap food supplies have helped to maintain consumer purchasing power in the
face of high unemployment and salary cuts while inflows of Nigerian petrol,
fertilizer and irrigation equipment have eased production and marketing costs
despite the removal of a range of internal subsidies.

This sanguine view of the food security implications of cross-border
trade between Nigeria and her neighbours rests on the assumption that Nigeria
suffers no ill effects from these outflows of food crops and inputs. The two
reasons cited in a support of this belief are that:

(a) such outflows are the product of the revival of Nigerian agricultural
productivity under structural adjustment. ¹

(b) despite their significant impact on Nigeria's neighbours, annual outflows of food crops and inputs from Nigeria only comprise a small percentage of Nigerian supply.

Within the generally favourable view of the food security implications of cross-border trade, the Francophone literature does recognise certain problems. Principally, the increasingly informal structure of cross-border activities and their general orientation around policy contradictions are regarded as sub-optimal. These features create large rents for well-paced actors and impede market transparency, thus compromising the efficiency of regional trade (Mahamane et al. 1993). There is also a concern for the negative impact of cheap food inflows on local agriculture and agro-industry, as well as for the growing trade imbalance between Nigeria and her neighbours which may compromise the sustainability of a food security strategy based on intra-regional trade (Egg & Igue 1993). In the final analysis, however, food security is regarded as an issue with a strong basis in regional complementarities, which could be promoted and increased in efficiency by harmonising divergent policies and liberalising cross-border trade.

An opposing view of the matter is widely expressed on the Nigerian side of the border. While there are a number of Nigerian officials and academics who agree with the view that agricultural production has been picking up under SAP (CBN 1989; CBN/NISER 1991), a central strategy in this revival has been placing of bans on grain imports in order to provide remunerative prices to producers. While this move does appear to have created some measure of production incentives, this has been accompanied by a palpable sense of alarm concerning the growing scarcity and high prices of food within the country. Food scarcity and high prices are particularly identified with the prevalence of food and input smuggling into neighbouring countries. From this perspective, the liberalisation of trade in food crops is seen as disastrous, both on the supply side and on the demand side.

¹. Egg, Mas, and Afouda and Soule point to indications that all is not well with the Nigerian productive sectors, especially agriculture, but they conclude that productivity is nonetheless reviving, though perhaps only in certain regions (Egg 1993c; Mas 1993; Afouda and Soule 1993). The basis of this conclusion appears to have more to do with the volume of goods flowing into Niger than with current Nigerian price trends and indicators of consumption, income and productivity.
Such contradictory views of a potentially complementary relationship raise a number of issues which this chapter will attempt to address. The first is the extent to which cross-border trade in food crops has developed historically on the basis of complementarity and competitiveness, or through the exploitation of policy disparities. The second is the specific role of Nigeria’s Structural Adjustment Programme (SAP) in the shifts in agricultural production and cross-border trade that have taken place since the mid-1980s. A close examination of the impact of the Nigerian SAP on agriculture is important in view of the fact that the sheer volume of Nigerian trade flows relative to those of its neighbours can easily mask negative developments in productive structures within the country. The third issue to be considered is the impact of cross-border trade in the context of SAP on production incentives and access to food within Nigeria. Finally, there is the issue of whether the growing reliance of Nigeria’s neighbours on the current structures of food and input flows from Nigeria is a step towards regional integration or a recipe for dependency and long-term food insecurity within the region. Of course beneath all of these themes lurks the monetary issue, which will be discussed as it arises in the context of each section of the chapter.

The History of Cross-Border Food Trade

In the Sahelian countries, particularly Niger, food trade with Nigeria has played an important role in regional food security since pre-colonial times. In the case of Nigeria’s coastal neighbours, cross-border flows did not become significant until well after independence. In both cases, there have been periodic reversals in the direction of food flows, essentially under the influence of disparities in economic policy rather than shifts in competitiveness.

Patterns of cross-border food trade between Nigeria and her Sahelian neighbours have changed a great deal over the years. The pre-colonial era was about the only period in which cross-border trade could be said to have been founded on a complementary pattern of ecological specialisation. In the northern regions, millet was traded north in return for animals and salt in local circuits operating between the savanna and the desert edge (Baier 1980; Watts 1983). The direction of grain flows was reversed in the decade or so after the creation of the Nigeria-Niger border (1906), largely in response to the spread of groundnut production, the growth of urban administrative centres in northern Nigeria, and the divergences in monetary and fiscal policies on either side of the border.

The pressure of groundnut production on grain production levels in Nigeria, and the rising demand for grain to satisfy the needs of colonial
institutions (mines, public works projects, and an expanding bureaucracy, among others) sharply increased the demand for staple food on the Nigerian side of the border (Watts 1984). The attraction of high consumer demand was amplified by the significant parallel exchange premium on the Nigerian Pound relative to the CFA Franc. These various factors contributed to the attraction of inflows of grain from Niger during most of the colonial period (Watts 1983). The predominantly southward direction of cross-border grain flows appears to have continued into the mid 1970s, even in the face of the 1972-74 drought. This was a constant source of concern for the French authorities in Niger, who regarded the trading of grain into Nigeria as a threat to their own territory’s food security (Luning 1961; Collins 1974; Egg and Igue 1993).

The direction of grain flows was reversed again in the latter half of the 1970s. The principal factors involved in this second reversal were the delinking of the Nigerian Pound from the Pound Sterling, which precipitated a collapse in the parallel exchange rate of the Nigerian currency against Niger’s CFA Franc, and the collapse of groundnut production and subsequent rise of grain as the major cash crop of northern Nigeria. It is also likely that the neglect of Nigerian agriculture during the Oil Boom contributed to the growth of grain exports to Niger, particularly as a result of the downward pressure on grain prices created by the Nigeria’s food policy based on massive importation of cheap foreign grain (Watts 1987). On the other side of the border, the creation in 1970 of the OPVN, Niger’s grain purchasing parastatal, provided a strong institutional incentive for the development of large grain inflows from Nigeria, varying between 100,000 and 200,000 tonnes annually. However, it would be inaccurate to say that trade into Niger provided the only profitable outlet for Nigerian grain during this period. Within Nigeria, both the neglect of agriculture and the effect of sharp increases in urban incomes led to skyrocketing food prices, on the order of 400% between 1975 and 1985, which provided profitable national outlets to grain producers with access to urban markets (Clough 1981; Beckman as cited in Watts 1987).

The northward direction of cross-border grain flows continued throughout the 1980s and into the 1990s. The major shift that has occurred during this period has been an apparent acceleration in the volume of grain flows since the first half of the 1980s.

By contrast with the grain trade, the livestock trade has continued in a predominantly southward direction from pre-colonial times to the present, based essentially on the comparative production advantage in Niger and high levels of Nigerian demand. Cowpeas were added to this southward flow after the collapse of groundnut production in the 1970s, also based essentially on patterns
of comparative advantage. It is only in the last few years, with the dramatic
devaluation of the Naira and the collapse of Nigerian consumer demand, that
these two mainstays of regional complementarity have begun to come under
threat.

Unlike the case of the Sahelian zone, food trade between Nigeria and
her coastal neighbours did not become significant until the advent of the Oil
Boom in the mid-1970s. Prior to that, the ecological similarity between Nigeria
and her coastal neighbours severely limited the potential for intra-regional food
flows. The emergence of policy disparities under colonialism provided little
stimulus to cross-border food flows. In the case of Benin, exports of agricultural
goods in response to the fiscal and monetary attractions of the Nigerian market
were dominated by export rather than food crops, including cocoa, coffee, and
palm products. As for Cameroon, the interposition of British Cameroon between
Nigeria and French Cameroon limited the attractive influence of economic
disparities along the Nigeria-Cameroon border (Igue 1985: Egg & Igue, 1993).

As in the Sahelian zone, the non-convertibility of the Nigerian Pound
after 1968 precipitated a reversal in cross-border trading patterns between
Nigeria and Benin, but again, agricultural flows now moving from Nigeria into
Benin were dominated by cocoa. It was only with the dramatic rise in Nigerian
food prices under the Oil Boom that inflows of food crops from Benin and
Cameroon became significant. In both cases, food flows into Nigeria were
dominated by re-exported grains, predominantly wheat and rice, ranging from
7,000 to 25,000 tonnes annually in the case of Benin. In addition, Benin
contributed approximately 5,000 tonnes annually of locally produced maize,
garri and root crops, while Cameroon supplied local coarse grains and irrigated
rice in addition to traditional exports of livestock from northern Cameroon.
While contributing to Nigeria’s food supplies, exports of food from Benin
deprived its own cities of food, and stimulated increased urban consumption of
imported rice. In both Benin and Cameroon, local food exports to Nigeria
appear to have had a stimulating effect on local agriculture, though the
significant role of imported cereals in the process are likely to have provided
a simultaneous dampening effect.

With the onset of economic crisis in Nigeria, inflows of re-exported
wheat and rice from Benin and Cameroon increased dramatically, and Niger
also joined the racket. By 1985, combined flows of re-exported rice alone
approached 400,000 tonnes from these three countries. The supposed food
security these various food inflows gave Nigeria became, over time, a source
of alimentary stress. This stress must be measured against their negative impact
on Nigerian agriculture, which suffered from serious policy neglect and
declining terms of trade throughout the Oil Boom and crisis periods. Since the late 1980s, however, flows of re-exported grain have dwindled, and Benin and Cameroon have joined Nigeria’s Sahelian neighbours in becoming recipients of increasing quantities of local produce from Nigeria.

**Nigerian SAP and National Food Security**

Nigeria’s Structural Adjustment Programme (SAP), instituted in 1986, was designed to correct the distortions underlying some of the negative trends within the economy, particularly in the area of agriculture. By rectifying the policy bias against agriculture, SAP could be expected to work in the interest of Nigerian food security, as well as that of her grain deficit Sahelian neighbours. In the event, Nigeria’s SAP has stimulated competitive food outflows to all of Nigeria’s francophone neighbours. However, a closer look at the policies involved and their impact on structures of agricultural production and distribution within Nigeria call into question both the beneficial impact and the sustainability of Nigeria’s new role as the food basket of the sub-region.

The agricultural objectives of Nigeria’s SAP were the promotion of self-sufficiency in food production, the provision of agricultural raw materials for industry, the diversification of Nigeria’s export base, and an increase in employment and living standards in the rural areas. With the benefit of hindsight, this is an extremely tall order, even under the best of economic circumstances. Under the pressures of the policies designed to achieve these ends, including devaluation, deregulation of interest rates, the removal of subsidies on agricultural inputs and skyrocketing inflation, it sounds more like fantasy. In a move to increase the return on food crop production, the more orthodox structural adjustment measures were accompanied by the imposition of import bans on maize and rice in 1985, wheat in 1987 and barley in 1988. In the process, Nigerian agriculture was forced to take on consumer and industrial demand that had previously been met by grain imports totalling over 2,000,000 tonnes annually by 1982, in addition to responding to export incentives and population growth.

In order to meet the challenge of consumer and industrial demand in the absence of imports, and to keep up with population growth estimated at over 3%, Nigerian production of staple food crops would have had to grow by at least 5% annually between 1985 - 1989. It is, therefore, not surprising that the average annual growth rate actually achieved over the period, estimated by the Food and Agricultural Organisation (FAO) at 2%, was accompanied by an increase in food prices of approximately 150% (World Bank 1991; Meagher 1991a).
On the supply side, the upward pressure on food prices appears to have provided increased incentives only to a restricted category of farmers, most notably the upper stratum of peasant farmers with a limited level of mechanization and access to urban, industrial or border markets. For the majority of peasant producers, high food prices are more of a problem than an incentive. In northern Nigeria, the border regions are characterized by a chronic grain deficit, in which household production lasts only 6 to 7 months of the year. Even in the more agriculturally endowed regions of the country, high food prices and the general inflation in the cost of living have reduced rather than improved real agricultural incomes (Table 1). The impact of rising food prices on Nigerian food security is demonstrated by studies and news reports indicating declining levels of calorie consumption and dietary protein in both the rural and the urban areas since the beginning of SAP (CBN/NISER 1991).

Upward pressure on input and labour costs have further exacerbated the supply-side pressures created by SAP (Table 2). Contrary to popular belief, most Nigerian peasant farmers use hired labour and some measure of agricultural inputs. Under SAP, devaluation and the removal of input subsidies have dramatically increased the cost of inputs, the bulk of which are imported or made of imported components. Similarly, the high cost and scarcity of mechanical equipment and spare parts, combined with the rising cost of living, have seriously increased the cost of labour (though agricultural wages have failed to keep pace with the cost of living). This has precipitated an agricultural price squeeze which has been detrimental to agricultural investment among the bulk of the peasantry (Table 3). Under these conditions, only the upper stratum of farmers, who can afford to sell crops during the season of peak prices and in high value markets, can realize a profit.

For the majority of peasant farmers, all attempts to cope with high input and labour costs have involved a reduction in the use of improved inputs and hired labour, and a withdrawal from the production of crops that require high levels of such inputs, such as maize and improved cowpeas (NAERLS 1990, 1991; IAR, 1990). With the astronomical rise in the market price of fertilizer since 1991, some farmers in the north have resorted to selling part of their rainy season food supply, mortgaging the coming harvest or selling off agricultural equipment in order to buy fertilizer. The implication of these developments is a trend that poses more of problems than providing incentives.
The Impact of Cross-Border Trade in the Context of SAP

Within the context of Nigeria's SAP, cross-border trade in food crops has not so much provided outlets for increased production as intensified stresses on Nigerian agriculture. High production costs in Nigeria and the rapid devaluation of the Naira relative to the CFA Franc appear to be the central forces behind increased food exports from Nigeria. High CFA Franc-denominated prices provide a powerful incentive for food exports, despite the scarcity of food within Nigeria. This problem is exacerbated by the collapse of effective demand in Nigeria, which limits the increase in food prices even in the face of the rapid rise in production cost.

It is sometimes argued that outflows of agricultural commodities and inputs to Nigeria's less populous neighbours represent too small a percentage of the country's annual supply levels to constitute any serious stress on prices or availability. However, a closer look at the realities of distribution rather than supply aggregates calls this view into question. In the case of grain, it is estimated that between 100,000 and 250,000 tonnes flow annually into Niger. While this represents less than 2% of Nigeria's annual grain production, it is approximately 10% of the marketed surplus (World Bank 1991). In the context of the already serious demand pressure from industry and urban consumers, this constitutes a significant additional stress on Nigerian grain prices.

Cross-border trade in inputs places similar stresses on availability and prices. The quantity of Nigerian fertilizer trade into Niger, estimated at about 19,000 tonnes annually since the mid-1980s, constitutes less than 2% of Nigeria's declared supply for 1992 (Igue 1985; Soule 1993). However, this quantity is closer to 13% of the fertilizer actually dispatched on time for the 1992 growing season. Added to the quantities exported to Benin and Cameroon, the stress of cross-border trade on access to fertilizer in Nigeria is significant.

Likewise, cross-border flows of irrigation equipment, improved planting materials and petrol constitute more than a costless subsidy on agricultural production and marketing in neighbouring countries. Reduced production costs on the francophone side of the border come at the cost of the scarcity and high price of production equipment and transport in Nigeria.

2. The desire of Nigerians to obtain convertible CFA Francs has become a less important feature behind cross-border food flows. CFA Francs are now easily available within Nigeria through bureaux de change or on the black market owing to the liberalisation of foreign exchange transactions and the development of a large parallel trade surplus with Niger (Chairman of the Kano Parallel Exchange Market, personal communication).
Cross-Border Trade and Food Security of Nigeria’s Francophone Neighbours

In addition to the stress it places on Nigerian food security, there are indications that cross-border food trade may have negative implications for the long term food security of the neighbouring countries as well. In the Sahelian countries, cross-border trade with Nigeria stabilizes grain prices and reduces production and marketing costs in the short-run, but it also appears to discourage investment in local grain production, reinforcing the grain deficit tendencies of the region (Kore 1993). One might even question the extent to which Niger’s grain deficit is structural and to what extent it is the product of the effect of inflows of cheap Nigeria grain undermining investment incentives on the part of farming households as well as the state.

In Benin and Cameroon, the negative effects on local agriculture of Nigerian food inflows are more obvious. With the dramatic devaluation of the Naira, inflows of cheap Nigerian staples, adversely affect the fortunes of local farmers. In the case of Benin, inflows of Nigerian maize averaging 10,000 to 15,000 tonnes annually may sound relatively small, but this represents approximately 25% of Benin’s total maize production, with proportionately depressing implications for the country’s maize prices (Iague & Soule 1992). Many sectors of Cameroon agriculture are also under pressure from Nigerian inflows particularly the staple crop and poultry sectors. Only irrigated rice appears to be maintaining its competitiveness against Nigerian production, but this is partially dependent on the maintenance of the Nigerian ban on official rice imports.

In addition to the negative impact of cheap Nigerian imports on local agriculture, there is also the question of the sustainability or current cross-border trade patterns. It has been noted with concern that agricultural and other exports from neighbouring countries into Nigeria have been declining precipitously. With the continuous devaluation of the Naira, contracting consumer demand in Nigeria and the recent unbanning of wheat, the Nigerian market for exports from her neighbours is collapsing. This is particularly serious for Niger and Chad, which may soon be left with little more than the attractive force of the externally-supported CFA Franc to guarantee their food security. Far from constituting a basis for regional complementarity in food security strategies, this places these Sahelian countries in a situation of double dependence - dependence on Nigeria for grain and agricultural inputs, and dependence of France for its support of the currency that attracts these goods into Nigeria’s northern neighbours. With the future of the CFA Franc now in question, this places Nigeria’s food-deficit neighbours in a precarious situation indeed.
Conclusion

Since the beginning of the colonial period the integration of agricultural markets between Nigeria and her francophone neighbours has been founded largely on the exploitation of policy disparities rather than on complementary structures of production. Disparities in currency values, protectionist policies and subsidies, as well as the exploitation of crises in each other’s markets, have been the central determinants of the volume and direction of cross-border food flows. The various structural adjustment programmes currently under way in the region, far from rectifying these trends, have exacerbated the underlying disparities as well as the ease with which they can be exploited. While this has produced short-term benefits in terms of reduced food and input costs in the francophone countries, it has tended to undermine food security in Nigeria as well as weakening structures of agricultural production on all sides.

This is not to say that there is no potential for regional cooperation in food security between Nigeria and her neighbours. Significant potential for complementary strategies exists, but it is not promoted by the structure of market forces unleashed by structural adjustment. The development of such complementarities requires deliberate policies that emphasize the reinforcement of structures of production rather than the liberalization of markets. Possible policy initiatives include cooperative arrangements in the production of fertilizer and other agricultural equipment, and a harmonization of subsidy levels on these goods. Nigeria could also negotiate agreements with her neighbours on the elimination of cereal re-exports in return for selective liberalization of imports of neighbours’ local produce. Selective liberalization could also be used to encourage a more balanced development of complementary exchange of local produce, such as Nigerian grain and Nigerian cowpeas. In order for such initiatives to be sustainable, the monetary issue must be addressed, with a view to stabilizing the relationship between the Naira and the CFA Franc. In all cases, however, the focus must be on the impact of the policies contemplated on productive structures on both sides of the border not simply on the expansion of regional markets. There can be no future in regional food security strategies that bite the hand that feeds them.
Table 1
Real Producer Prices
(in naira/ton)

<table>
<thead>
<tr>
<th>Year</th>
<th>Maize</th>
<th>Rice</th>
<th>Mille</th>
<th>Sorghum</th>
<th>Yam</th>
<th>Cassava</th>
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</thead>
<tbody>
<tr>
<td>1983</td>
<td>767</td>
<td>1093</td>
<td>532</td>
<td>569</td>
<td>944</td>
<td>1176</td>
</tr>
<tr>
<td>1984</td>
<td>781</td>
<td>1336</td>
<td>713</td>
<td>885</td>
<td>872</td>
<td>810</td>
</tr>
<tr>
<td>1985</td>
<td>1219</td>
<td>1662</td>
<td>563</td>
<td>567</td>
<td>609</td>
<td>547</td>
</tr>
<tr>
<td>1986</td>
<td>1167</td>
<td>1535</td>
<td>372</td>
<td>410</td>
<td>675</td>
<td>428</td>
</tr>
<tr>
<td>1987</td>
<td>358</td>
<td>1356</td>
<td>349</td>
<td>360</td>
<td>533</td>
<td>533</td>
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<td>1988</td>
<td>802</td>
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<td>683</td>
<td>729</td>
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<tr>
<td>1989</td>
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<td>1902</td>
<td>495</td>
<td>595</td>
<td>731</td>
<td>808</td>
</tr>
<tr>
<td>Pre-SAP</td>
<td>922</td>
<td>1364</td>
<td>603</td>
<td>674</td>
<td>808</td>
<td>844</td>
</tr>
<tr>
<td>SAP</td>
<td>661</td>
<td>1682</td>
<td>510</td>
<td>546</td>
<td>664</td>
<td>766</td>
</tr>
</tbody>
</table>

Sources: from CBN-NISER (1992), nominal prices are deflated by the CBN consumer price index
Pre-SAP = 1983.85 average
SAP = 1987 - 1989 average
Egg and Igue (1993)

Table 2
Prices of Factors of Production
(in Current Naira)

<table>
<thead>
<tr>
<th>Year</th>
<th>Farm Wages (50kg bag)</th>
<th>Fertilizer Pesticides (50kg bag)</th>
<th>Fuel (50kg bag)</th>
<th>Hire Tractor (naira)</th>
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</thead>
<tbody>
<tr>
<td>1983</td>
<td>5.6</td>
<td>2.6</td>
<td>0.15</td>
<td>54.4</td>
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<tr>
<td>1984</td>
<td>6.3</td>
<td>5.5</td>
<td>0.20</td>
<td>67.6</td>
</tr>
<tr>
<td>1985</td>
<td>7.0</td>
<td>8.2</td>
<td>0.20</td>
<td>69.4</td>
</tr>
<tr>
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<td>10.0</td>
<td>9.2</td>
<td>0.20</td>
<td>68.4</td>
</tr>
<tr>
<td>1987</td>
<td>12.0</td>
<td>9.2</td>
<td>0.40</td>
<td>100.4</td>
</tr>
<tr>
<td>1988</td>
<td>14.0</td>
<td>14.0</td>
<td>0.42</td>
<td>112.4</td>
</tr>
<tr>
<td>1989</td>
<td>15.0</td>
<td>15.0</td>
<td>0.42</td>
<td>126.4</td>
</tr>
</tbody>
</table>

Sources: CBN-NISER (1992) and Meagher (1991); Egg & Igue (1993)
### Table 3
Comparative Trends in Real Producer Prices and Real Prices of Factors of Production (Index)

<table>
<thead>
<tr>
<th>PRODUCTION PRICES</th>
<th>FACTORS OF PRODUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize</td>
<td>Rice</td>
</tr>
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<td>------</td>
<td>------</td>
</tr>
<tr>
<td>1983</td>
<td>100</td>
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<td>1984</td>
<td>102</td>
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<td>1985</td>
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<td>1986</td>
<td>152</td>
</tr>
<tr>
<td>1987</td>
<td>47</td>
</tr>
<tr>
<td>1988</td>
<td>104</td>
</tr>
<tr>
<td>1989</td>
<td>107</td>
</tr>
</tbody>
</table>

* = estimate

**Sources:** CBN-NISER (1992) and Meagher (1991); Egg & Igue (1993).
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Chapter Seven

Promoting Shared Borders as Bridgeheads for Regional Integration in Africa: The Nigerian Experience vis-a-vis Limitrophe Countries

A.I. Asiwaju

Introduction

The necessity for regional integration in Africa has never been in doubt. However, the efforts to date an affair of governments rather than of the people have not achieved set objectives. Intellectual activities inside and outside Africa, focussing on the subject, have resulted in an avalanche of scholarly and policy literatures; but the spotlight, naturally, has been on recorded failures.

Pro-integration decisions, usually by summits of Heads of States and Governments, have not been implemented by the individual national authorities. Actual integration at the level of African peoples themselves, evident in the numerous and complex networks of socio-economic interactions and transactions across all the international boundaries, remain painfully ignored by state actors.

There is a compelling need for a new way of thinking and acting, if Africa is to witness a more substantial progress in regional integration endeavours in the 1990s than it did in the proverbial "lost decades" of the 1970s and 1980s.

In the place of familiar but essentially obsolete state-centric and sovereignty-concerned assumptions and frameworks such as have produced most
known schemes and projections including the ill-fated 1980 OAU Lagos Plan of Action, new cornerstones must be sought not only in the more compelling sovereignty-perforating realities of shared environmental concerns, and transborder natural and cultural resources, but also in the vibrant regional networks of informal business transactions.

A reformulation of approach is also impelled by hard facts of a new global system characterised by inter-dependence and resulting from technological revolutions which, in the second half of the twentieth century, have produced such inherently sovereignty-disrespecting innovations as nuclear rocketry, mass industrial production of goods and services, multinational business operations, panasonic telecommunication and mass transportation systems and, above all, a distinctly novel international environment characterised no more by a concern for a balance between super-powers but by mega-regional economic integration formations, notably the European Community and the North American Free Trade Area.

If Africa is to respond effectively to the challenges posed by sovereignty-disregarding realities operating at both local and global levels, regional integration endeavours must be re-formulated on these realities. In particular, the new effort must recognise the necessity for additional building blocks which allow for a new development from bottom rather than from top. The charting of a new path for integration has to take full account of such extremely compelling but hitherto neglected grass-root realities of transborder relations and interactions, including the massive regional business transactions. If Africa is to move forward in the decades ahead, and the African Economic Community Treaty opened to signature at Abuja in 1991 is not to suffer the same fate as the Lagos Plan of Action of 1980, regional integration endeavours must embrace a supplementary approach which places emphasis on prior integration of limitrophe national economies, based on the objective factor of shared international boundaries.

Consequently, African borderlands (i.e. lands and local populations in proximity to a border) which have always resisted the barrier effects of boundaries of the colonial and post-colonial states, must be recognised both as the natural starting points for regional integration and as critical arenas for its propagation and sustenance. Shared international boundaries must be reconceptualised and systematically promoted, no longer as factors of "risks" for conflicts and wars but as "opportunities" for international cooperation. Not only must concerted efforts be made to evolve mechanisms for peaceful resolutions of border conflicts, limitrophe African States must be engaged in conflict-preventing and integration-promoting transborder cooperation in planning and
development.

National Boundary Commission as Promoter of Transborder Cooperation and Regional Integration

It was this realisation that led the Federal Government of Nigeria to decide in 1987 on the establishment of the National Boundary Commission as a specialised border problem-solving institution. A Federal Executive Body, one of such extra-ministerial bodies so entrenched in the 1989 Constitution, the National Boundary Commission is a high-powered body with a mandate "to deal with, determine and intervene in any boundary dispute that may arise between Nigeria and any of her neighbours or between any two states of the Federation with a view to settling such dispute." Created by Decree 38 of 17 December 1987 and formally inaugurated on 20 July 1988, the Commission is also enjoined to put in place relevant mechanisms and programmes both for the prevention of border conflicts and the promotion of transborder cooperation.

The issue of transborder cooperation is especially underscored in the enabling enactment which inter alia, empowers the Commission to "set up Committees to deal with matters affecting Nigerian borders with neighbouring countries, either on matters affecting political, economic or legal affairs or matters relating to development and security of border areas." Transborder cooperation is particularly compelled by concerns for "matters relating to development and security of border areas." As has been argued elsewhere, it is impossible for the authorities on one side of a border to successfully undertake coherent development programmes and law-enforcement in these inherently bifurcated constituencies without adequate inputs from counterparts on the other side of the given border. Accordingly, the Commission's commitment to the development and security of border areas has also meant a commitment to the task of a continuous exploration of cooperative, not conflictual, relationships with the authorities in limitrophe countries.

The bridge-building capacity of the Commission has been enhanced by its own multidimensional structure and border-policy-coordinating responsibility. Presided over by the Vice-President and served by a permanent secretariat housed in the Presidency, the Commission has eleven regular members: nine ex-officio members (Heads of Federal Ministries and Parastatals with border-related roles and functions) and two non-ex-officio, members appointed from the public or private sector by the President. The ex-officio members are the Ministers of Defence; Foreign Affairs; Works and Housing whose Ministry embraces the Department of Federal Surveys; Internal Affairs.
whose Ministry embraces the Departments of Immigration Services and Prisons; Finance, whose Ministry supervises the Department of Customs and Excise; and Justice. The others are the Inspector-General of the Nigerian Police and the Director-General of the National Intelligence Agency. The writer has been privileged to be one of the two pioneer non-ex-officio members.

While the idea is not to centralise the statutory function of the member-institutions in the Commission, the objective is to confer on the Commission the duty of border policy coordination and sensitisation. This role of a national front in border policy matters is especially crucial in the Commission’s dealings with limitrophe national authorities. The Commission’s policy-coordinating role is discharged in two principal ways: policy-making based on the decisions taken at its meetings; and, more importantly, policy implementation, effected by the Commission’s Secretariat. Since implementation is the acid test of all policy-making processes, the role of the Commission’s Secretariat is especially underscored by its high-powered nature and the substantial funding allocation made to it by government. Though statutorily not an executive secretariat, it is headed by a Director-General, a state functionary of the status of a junior Minister in the Federal Public Service, who serves as the Commission’s Secretary. The Secretariat is structured into four major functional Departments: namely, International Boundaries; Inter-State (Internal Boundaries); Research and Documentation Centre; and Personnel and Finance.

The two non-ex-officio members of the Commission operate full-time in the secretariat to provide policy guidance on a day-to-day basis, the one on international and the other on internal boundary matters. It is in the privileged position of the pioneer Commissioner in charge of international boundaries that the present writer has been actively involved in the programme and activities of the Commission as promoter of regional integration through transborder cooperation.

The decision by the Nigerian government to set up the National Boundary Commission as its prime agency for the peaceful resolution of border conflicts and the promotion of transborder cooperation and good neighbourliness was ostensibly strongly influenced by Nigeria’s ever increasing commitment to regional integration endeavours at the levels of both the West African sub-region and the African continent. The massive financial, material and human resources committed to projects of the Economic Community of West African States (ECOWAS) and the Organisation of African Unity (OAU) must have facilitated government’s acceptance of the proposal for a supplementary transborder cooperation policy.
It must have been rightly appreciated that regional integration programmes, however brilliantly articulated, would remain mere dreams in situations that prevail all over Africa where constituent national states are hardly able to see eye to eye on matters relating to shared borders. Transborder cooperation policy would galvanise critical grassroots-level support in addition to creating out of Nigeria and liminotrope countries a model border conflict-free enabling environment, necessary for the achievement of wider regional integration projects.

**Strategies for Achieving Transborder Cooperation**

The National Boundary Commission fulfills its mandate as Nigeria’s agency for border conflict resolution and transborder cooperation promotion both directly and indirectly: directly through programmes which it initiates and executes on its own; and, indirectly, through sensitisation of appropriate member institutions (Ministries and parastatals) and active involvement with resultant programmes.

**The Commission’s Direct Programmes**

*Transborder Cooperation Workshops and Treaties*

Of the Commission’s direct programmes, the most prominent have been the Transborder Cooperation Workshop series: five in number (one for each of the borders shared by Nigeria and proximate neighbours). Originally sponsored and executed as a programme of the Federal Ministry of Internal Affairs, the proposal for a Transborder Cooperation Workshop series was submitted to government in October 1987 and approved in February 1988. The first in the series, the Nigeria-Benin Workshop at the Administrative Staff College of Nigeria (ASCON), Topo, Badagry, 8-14 May, 1988, was hosted by the Federal Ministry of Internal Affairs and co-funded by the Ford Foundation.

The programme was taken over by the Commission when, following its formal inauguration in July 1988, it began full-time operation with a permanent secretariat in January 1989. The workshops with Niger, Cameroon and Equatorial Guinea have since been successfully held at Bagauda Lake Hotel in Kano in July 1989, the International Hotel in Yola in May 1992 and the Metropolitan Hotel, Calabar, in November 1992 respectively. The session with Chad, now being actively planned for 1993, has been delayed because of the protracted political crisis in that country. The entire programme is to be rounded up by an international seminar on the all-important question of transborder
natural resources and related environmental problems as well as strategies for their peaceful and effective management.

The programme of Transborder Cooperation Workshop between Nigeria and each of her immediate neighbours has been inspired by two broad and inter-related policy concerns. First was the strongly and widely felt need to stem the tide of conflicts and inflammatory incidents which, in the mid-70s through the mid-80s, seemed to have dominated the transborder relations between the nation and most of the limitrophe countries. While in the particular case of the Nigeria-Cameroon border, such incidents brought the two nations to the brink of a shooting war in 1982, the incidents on the border with Chad actually resulted in a two-month period of armed hostilities between Nigerian and Chadian soldiers from April to June 1983. Secondly, there was the imperative and, indeed, the urgency for measures aimed at modernising our international boundaries by converting them from their traditionally perceived functions and postures as limits and barriers into new, more relevant and better roles as bridges and junctions, consistent with Nigeria's avowed commitment to the policy of good neighbourliness and regional integration endeavours.

The specific objectives of each of the workshops are:

(i) To provide a forum for the discussion of issues which will ensure the consolidation of peaceful, cooperative and friendly relationships between the Federal Republic of Nigeria and the particular neighbouring countries concerned;

(ii) To steer public debate and opinion from an observable disproportion of focus on issues and factors of conflict. Each workshop does this by highlighting the inseparable socio-economic interlinks between us and each of our neighbours and deliberating on how these linkages can be positively and mutually utilised to promote stronger transborder cooperation;

(iii) To democratise or popularise the process of foreign policy formulation with special reference to relations across shared international boundaries and inter-related borderlands; and, in so doing, to broaden, systematise and consolidate the base of mutual diplomatic understanding between Nigeria and each of her proximate neighbours; and, finally;

(iv) To arrive at specific resolutions of a popularly supported transborder cooperation and collective security policy that will serve as a model for other limitrophe countries not only within the contiguous sub-regions of West and Central Africa, but also Africa as a whole.

These specific objectives, especially as they relate to the need to democratise transborder policy-formulation process, have dictated the eclectic
nature and character of the workshops. The comprehensive programme covers five major themes: the cultural dimension; border economy; the problem of parallel regional and local governments or administrations; the issue of different legal systems; and finally, collective security considerations. These themes are not only discussed in successive plenary sessions; they are also subjected to further in-depth analysis by specific working groups into which the workshop participants are organised. The recommendations of such working groups form the basis of the workshop resolutions.

Participants from both sides of the international boundary concerned are made to include a core of multi-disciplinary team of scholars and researchers in addition to functionaries of national, regional and local governments as well as local community leaders, traditional rulers, spokesmen of the business communities and officials of border-enforcement agencies. The workshop is organised to bring about an exchange of ideas on the issue of transborder cooperation. Equally important, it allows, often for the first time, intensive personal interaction and consultations between and among the participants at the different levels. In this way, the foundation is laid for a culture of cross-border dialogue aimed at the timely resolution of and, more importantly, prevention of conflicts.

The workshops so far held have produced such encouraging results. The case of the Nigeria-Benin border deserves special mention because, here, the emergent policy of transborder cooperation would appear to have witnessed the fastest progress and the most advanced stage of development. It has evolved from the phase of workshop to that of an engrossed Treaty on Transborder Cooperation between the Federal Republic of Nigeria and the Republic of Benin. The treaty was recently approved by government for signature by the Head of State.

Carefully crafted by a joint committee of legal luminaries and border experts drawn from both countries, the text of the treaty was negotiated and agreed at two sessions of meetings - one in Cotonou in the last week of September 1991 and the other in mid-February 1992 at Abuja. The treaty promises to be the first of its kind in Africa. For, in addition to specific roles assigned to state functionaries operating at the national level on both sides of the border, the treaty succeeds in reconciling the hitherto mutually antagonistic national and local perspectives on border issues, including the crucial question of transborder relations. This is achieved through relevant provisions which recognise the specific roles of regional authorities and stress the creation and complementary operation of local bilateral committees to embrace representatives of grass-root interest groups and concerns.
The Transborder Cooperation Treaty between the Federal Republic of Nigeria and the Republic of Benin is based on the conclusions and recommendations of the 1988 workshop at ASCON, Topo, Badagry. It is also informed by such international precedents as the European Outline Convention on Transfrontier Cooperation between Territorial Authorities or Communities and, especially, the model bilateral agreements attached to the Convention. Opened to signature of member-states of the Council of Europe in Madrid in 1980, the convention had by 1984 been fully ratified by all the concerned European States, including centralist France. Like the Nigeria-Benin Treaty, the European Convention has been inspired by the popular debates raised by the series of Symposia on European Transborder Cooperation organised by the office of Regional and Local Authorities of the Council of Europe in 1973 and 1975. Bilateral treaties, similar to the one with Benin, are being actively worked out with Niger, Cameroon and Equatorial Guinea, based on the recommendations of the consultative workshops that have been held with the respective countries.

Confidence Building Mission to Neighbouring Countries

In addition to the transborder cooperation workshop and treaty projects, the National Boundary Commission engages itself in a systematic programme of confidence-building missions to neighbouring countries.

This point is easily illustrated by the series of consultative visits to neighbouring countries by a delegation of the Commission in 1990 and 1991. In 1989, when this programme was initiated by the writer and approved by the Commission, the objective was to familiarise the Commission’s secretariat with each of the neighbouring countries with which it would be interacting and, at the same time, to introduce to the authorities of these countries the National Boundary Commission as Nigeria’s innovative border problem-solving institution.

Each mission lasted from four to five working days and involved courtesy calls and interactions with state functionaries (especially Ministers responsible for foreign relations and territorial administration) and officials of the visited country’s own Boundary Commission or equivalent institution. Particularly targeted are the local research community and network in view of the appreciated supportive role of the national academia (historians, geographers, social scientists, lawyers and so on). Each mission featured a series of formal meetings with a delegation of the host nation’s government at which officials of the Nigerian embassy actively participated.
While such meetings covered a whole range of issues of bilateral interest, they focussed on matters of the shared international boundary in question: Nigeria-Benin, Nigeria-Niger, Nigeria-Chad, Nigeria-Cameroon or Nigeria-Equatorial Guinea, as the case may be. One major aim of such missions was to persuade the authorities of the limitrophe countries to see the need for joint programmes of activities - i.e. jointly with Nigeria's National Boundary Commission - targeted at fostering transborder cooperation. It was usually during such missions that agreements were tentatively reached on joint sponsorship of the transborder cooperation workshop programmes.

The National Boundary Commission’s series of confidence-building missions to neighbouring countries began with a visit to the Republic of Benin in April, 1990 and was concluded with the mission to the Republic of Cameroon in August, 1991. The success that attended each of these familiarisation tours is best illustrated by the achievement of the mission to Cameroon.

Led by the Honourable Minister of Foreign Affairs in his capacity as the Chairman of the National Boundary Commission’s International Boundary Technical Committee, the mission broke a 17-year-old impasse in Nigerian-Cameroon border relations. The impasse began with the withdrawal of Cameroon from an on-going dialogue with Nigeria on the vexatious issues of the common border between the two. This was sequel to the repudiation by Nigeria in 1976 of the unratified 1975 Maroua Declaration whereby General Yakubu Gowon as Head of State of Nigeria at the time and President Amadou Ahidjo of Cameroon had initialled an agreement for the maritime extension of the land border. The mission to Cameroon in August 1991 opened a new era of dialogue on the issue of the shared border.

Not only was agreement reached on the reactivation of the Nigeria-Cameroon Joint Commission and the establishment of the Gulf of Guinea Commission that would embrace Equatorial Guinea, Gabon and Sao Tome and Principe, the August 1991 mission to Cameroon also witnessed the inauguration of a Nigeria-Cameroon Joint Committee of Experts on Border Issues. Finally, the Mission achieved common agreement on the hosting of the Nigeria-Cameroon Transborder Cooperation Workshop in 1992. On the whole, the Commission’s confidence-building missions to limitrophe countries succeeded in eliciting their interest and support for a new commitment to the principle of peaceful resolution of border issues and mutual promotion of transborder cooperation.
Sensitisation and Policy Coordination for Transborder Cooperation and Regional Integration

Quite apart from its own direct programmes for the promotion of transborder cooperation, the National Boundary Commission stimulates critical Federal Government institutions (Ministries and Parastatals), especially those that are formally linked with the Commission, as well as State and Local Governments along the international boundaries to respond to emergent roles as veritable agents of transborder cooperation in planning and development.

Sensitisation and Policy Coordination of Federal Institutions

Government institutions with which the Commission has to interact are also targeted for sensitisation. Perhaps the most relevant here are the Ministry of Foreign Affairs and the Ministry of Internal Affairs.

For reasons of its statutory responsibility for foreign relations, including relations with limitrophe countries, the Ministry of Foreign Affairs has been an area of major focus of the Commission. This is especially the case with regard to the operation of the Joint Commissions with the limitrophe countries. Right from the very beginning, in 1989, the National Boundary Commission had approved the full involvement of its functionaries and officials in the activities of the Joint Commissions with geographically contiguous neighbouring countries in view of the factor of shared borders as critical elements in the bilateral relations. Similar active participation was formally approved in such bilateral and multilateral institutions as the Nigeria-Niger Joint Commission for Cooperation with its permanent Secretariat in Niamey, Niger, and the Lake Chad Basin Commission with headquarters in N’Djamena in Chad.

With regard to the Federal Ministry of Internal Affairs, one programme of special interest to the National Boundary Commission was that of Joint Border Tours inaugurated in early February 1986 when the then Honourable Minister of Internal Affairs of Nigeria with his Beninois counterpart began a joint tour of local communities on both sides of the Nigeria-Benin border. Like the Transborder Cooperation Workshop series; also initiated by the Ministry, the Joint Border Tour Programme became a subject of great interest to the Commission for reasons of the observable salutary effects which the programme came to have on transborder relations, both vertically between the nation and local border communities and, horizontally, between the national authorities on both sides of the border.

Since its inception, the National Boundary Commission has been involved in both the planning and execution of these programmes. The Joint Tours of Nigeria-Niger and Nigeria-Benin borders were completed in 1991 and
1992 respectively while those of the border with Cameroon, following the workshop of May, 1992, have been agreed in principle and are being planned. This imaginative programme takes the form of a continuous series of visits and overnight sojourns in selected Nigerian border settlements and twin-sister foreign communities in designated sectors of the border in question. Thus, it took three tours (two in 1986 and 1987 and the third only last year) to cover the Nigeria-Benin border, while Nigeria-Niger tours were undertaken in two phases.

While each tour offers the visiting ministers, and their entourage the opportunity to familiarise themselves with the local communities and their problems, they mobilise the local communities and sensitize them to the fact or a new commitment on the part of the two governments to treat the border between them no more as a factor of conflict but one of cooperation and mutual benefit to the local population themselves.

Sensitisation and Policy Coordination of State and Local Governments

In the context of its role as promoter of shared borders as linchpins for regional integration, the National Boundary Commission has been persuaded to regard the twenty or so states of the federation, directly linked to the country’s international boundaries as "gateways." Especially so focussed for their invaluable strategic positions are the nation’s borderlands - that is the local populations in proximity to the borders, whose entire community life is directly affected by the operation of the border.

Nigeria’s "gateway" States and Local Government Areas are actively involved in the work of the National Boundary Commission in two main domains: as agencies for transborder cooperation; and as instruments for the accelerated development of the hitherto badly neglected borderlands. Consequently, State and Local Government functionaries and officials are enjoined to establish and nurture collaborative working relationships and exchange programmes with their counterparts on the other side of the borders.

These novel roles of "gateway" state and local governments are especially underscored in the Commission’s transborder cooperation workshops and treaties. Together with leaders of border local communities, state and local governments along our international boundaries are actively involved in the various local bilateral committees set up within the context of the emergent transborder cooperation treaties. The roles of ‘gateway’ states and local governments as border region development agencies were specially articulated in the resolutions of the historic National Planning Conference for the development of Nigerian Border Regions, organised by the Commission in
August 1989. The Border Region Development Committee of the Commission, set up on the basis of the recommendations of the National Planning Conference, is replicated at the levels of borderlands states and local governments.

The responses to these various policy initiatives, as expected, vary from one border to another and even from sector to sector of the same border. The effects have been more dramatic on the Nigeria-Niger boundary where homogeneity of culture and history are far more pronounced. Not only have the borderlands witnessed significant improvement in the development of rural infrastructure and related equipment, formalised transborder cooperative linkages have also witnessed a major boost.

Encouraged and assisted by the Nigeria-Niger Joint Commission Cooperation, impressive programmes of transborder exchanges have been mounted by the Sokoto State Government vis-a-vis the limitrophe Nigerian Department of Dosso and Tahoua. Similar institutionalized linkages have been realised by Katsina State in respect of the Departments of Maradi and Zinder; and Borno State with respect of the Departments of Zinder and Diffa. The exchange of visits, between Governor M.A. Lawal of Ogun State and Captain P.M. Elegbede, Prefect of the limitrophe Oyeme Province of Benin in November 1988 and October, 1989; the emergent Nigeria-Benin Transborder Cooperation Treaty; and, finally, the resolutions of the workshops with Cameroon and Equatorial Guinea in July and November 1992, all indicate that the developments are in the same direction on the other borders of the nation.

Spreading the Benefits

There is perhaps no better indication of the Nigerian government’s resolve, based on the success of the transborder cooperation policy initiative so far than a recent declaration to an influential Nigerian newspaper by Admiral A.A. Aikhomu then the Vice-President of the Federal Republic of Nigeria and Chairman of the National Boundary Commission. He is reported to have declared that:

Nigeria will not go to war with its neighbours over issues which can be resolved amicably. It will instead take the path of peaceful negotiation. We believe in resolving crisis through dialogue. Towards the realisation of this objective the Federal Government has established a Boundary commission with a mandate to examine Nigeria’s boundary problems as well as finding solutions. In the past three years, alone, the Commission had organised workshops and seminars in which Nigeria’s neighbours participated. These measures have been building confidence
among the parties.\textsuperscript{11}

The National Boundary Commission’s problem-solving approach, including the transborder cooperation promotion, has been extended to the country’s own internal boundary problems. Efforts have also been made to advertise it for adoption by other African countries, including those of the West and Central African Sub-regions with which Nigeria is intimately linked.

Quite apart from solicited contributions which this present writer has made to pertinent research projects and training programmes of international organisations, notably the United Nations Regional Centre for Peace and Disarmament in Africa in Lome, Togo,\textsuperscript{12} the ever increasing escalation of border and other conflicts has led Nigeria in recent times to reactivate a 1981 proposal for the establishment of an OAU Boundary commission with national chapters that would function like Nigeria’s own National Boundary Commission.\textsuperscript{13} Although the proposal for a Commission at the level of the OAU has not met with the favour of the Organisation’s Council of Ministers, each member-state has been encouraged to do with limitrophe countries what Nigeria has been doing with her proximate neighbours.

A particularly fortunate development has been the creation in 1990 of a Regional Integration promotion Unit in the African Development Bank (ADB) in Abidjan. Referred to as the CINERGIE (Cellule International d’Etudes, de Reflexions et de Gestion de l’Information sur les Echanges Regionaux), the unit was a joint establishment of the Club du Sahel of the Organisation of Economic Cooperation for Development (OECD) in Paris and the Comite Permanent Inter-Etats de Lutte Contre la Secheresse dans le Sahel (CILSS) in Ouagadougou, Burkina Faso.

Housed in the Department of Special Projects of the ADB, the OECD/CILSS Regional integration Promotions Unit has been created to operate on the basis of more or less the same assumptions as have informed the transborder cooperation and regional integration promotion campaigns of the National Boundary Commission of Nigeria. The Unit was a direct response of the main policy recommendation of what has gone down in records as the Lome Seminar of 6-9 November, 1989. Jointly organised by the Club du Sahel of the OECD and the CILSS to discuss the findings of a two-year commissioned study of Cereals Marketing and Food Security in the West African network of exchange; it was also very assertive of the urgent necessity to re-found regional integration on the reality of transborder business transactions. The purpose of the CINERGIE is to promote what has been strategically described in a relevant OECD/CILSS document as “market-driven integration”\textsuperscript{15} in the West and Central African sub-regions.
This writer has been a privileged observer of the work of the CINERGIE since its inception. He has, in fact, been involved as a participant in programmes both prior to and since the establishment of the unit. Like most institutions linking the North with the South or the Developed with Developing countries, the history, structure and operations of CINERGIE suggest familiar-type dangers of Northern domination. The prominence of French interests makes the dangers especially real. Otherwise, CINERGIE must be embraced as a very imaginative project. Like Nigeria's National Boundary Commission and its border-focussed regional integration promotion programmes, the CINERGIE and its activities have been inspired primarily by findings of scientific research focussed on the West African Regional realities of an indivisible environment and intricately interwoven network of socio-economic exchange.

The studies that have informed Nigeria's policy initiatives, like those being systematically marshalled, first to create and now to sustain the CINERGIE, are unanimous that the borders of national states in Africa (as elsewhere including the western European homeland of the nation-state) are artificial and that regional integration endeavours would succeed only when the debate and related action programmes involve active embrace with the socio-economic and, necessarily, cooperative rather than the statist or the negatively nationalistic and inherently conflictual perspective to the notion of the border.

A very important way forward is in the possibility, currently being actively pursued, of forging a link between the on-going efforts based on the Nigerian initiative and the on-coming endeavours of the CINERGIE. The inescapable impact of Nigeria on neighbouring countries in the West and Central African sub-regions, focussed by the CINERGIE, compels this working relationship.
NOTES


2. See Section 3 (a) of the National Boundary Commission Decree 1987.

3. Ibid. Section 7.


5. The Working Papers for these workshops are currently being printed into books by the commission.

6. See the text of the European Outline Convention on Transfrontier Cooperation Between Territorial Communities or Authorities (No.106 European Treaty Series).

7. These and other details are contained in the Communiqué jointly signed by the two Honourable Ministers of Foreign Affairs in Yaounde at the conclusion of the visit.
The Gulf of Guinea Commission is expected to function on the model of the Lake Chad Basin Commission, also a four-member-nation body.

The Nigeria-Cameroon Joint Committee of Experts on Border Issues has met twice already; first during the visit of the Nigerian Minister to Cameroon in August 1991 and at Abuja in December 1991. The next meeting has not taken place due largely to Cameroon’s pre-occupation with the democratic process, including the Presidential Elections of late 1992.

Details are contained in the proceedings of the Conference being processed in a book.


3. See CM/1659 (LIV) Add, 2; The Establishment of an OAU Border Commission (Item proposed by Nigeria), Presented to the 55th Council of Ministers Meeting, Abuja, 27 May - 1 June 1991.

4. The original title of the CINERGIE was Cellule Informelle d’Etudes, de Recherche et de Gestion de L’Information Sur les Echanges regionaux.

5. The Commissioned Study was undertaken by Johnny Egg of the Department of Rural Economy and Sociology of the Institute Nationale de la Recherche Agronomique (NRA), Montpellier; John Igue of the Department of Geography, University Nationale de Benin (UNB),
Cotonou; and Jerome Coste and others at the Institute National de la Recherche et d’Applications des Methodes de Development (IRAM), Paris.


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Regional integration is a concept which has acquired new importance in the last few years as statesmen and policy makers attempt to grapple with the numerous, apparently intractable political, economic, and social problems that have bedeviled the world. The long-drawn economic recession in the world, the increasing scale and incidences of political conflicts and violence, and the mounting social problems in the contemporary world seem to have convinced politicians, statesmen, and policy makers that regional co-operation and integration are viable paths to be followed for the purpose of effectively tackling these problems.

At independence, most African countries were not only highly underdeveloped and vulnerable but were also more closely linked to their former colonial overlords than to one another. The various projects of regional integration that were inaugurated in the four corners of Africa at independence were aimed not only at redressing the problem of underdevelopment that faced
the continent but also at promoting mutually beneficial, horizontally-based co-
operation. Furthermore, it was hoped that through such regional and sub-
regional integration efforts, it would be possible to overcome the practical
political and economic difficulties arising from the balkanisation of Africa on
the basis not of Africa's long-term interests but those of the European
imperialist countries who were the beneficiaries of the era of the scramble for
and partition of Africa. In this respect, regional integration and co-operation
efforts in the early post-independence period also had above all a decisively
Pan-Africanist philosophical base and orientation.

However, in spite of all the local enthusiasm for regional integration
which was witnessed within Africa after the defeat of colonialism and for all
the apparent support offered for such projects by the international community,
not much substantive success was achieved in the quest to promote greater
socio-economic and political interaction among African states. For one, the
vertical ties between the ex-colonies of Africa and their former colonial
overlords remained quite strong and in fact in some cases flowered in the
context of what Nkrumah described as neo-colonialism. For another, the
financial injections essential for the construction of meaningful regional
integration and co-operation projects were lacking. Thus, infrastructural facilities
necessary for the flow of goods and peoples were neither developed nor
upgraded.

Furthermore, the levels of political commitment among African leaders
to regional integration and co-operation projects differed sharply just as
differences over strategy among them became manifest. Some found it easier
to play the role assigned to their countries in the framework of the colonially-
derived international division of labour; others sought through collective co-
operation to break the vertical linkages that tied Africa to its former colonial
rulers. The latter was clearly reflected in the Guinea-Ghana-Mali union. Hence,
these differences in commitment and strategy were compounded by the rapid
spread of mutual suspicion among African leaders of different ideological
persuasions as the rivalries of the nationalist years were carried into the post-
colonial period and transformed into rigid positions of uncompromising distrust
and reciprocal suspicion.

It was of course in the interest of the former colonial powers to promote
and extend the vertical linkages which tied Africa to them. It was an
arrangement that was beneficial to them and even as African countries tried to
establish links with one another, the former colonial powers promoted such
schemes as the Lome Conventions which reinforced the primary commodity
status of African states in the international division of labour. The fact that the
countries of Africa produced broadly similar agricultural commodities made them more of competitors for the European market under the Lome Scheme and less of collaborators among themselves for the exchange of goods and services.

Given all of the foregoing, it is not surprising that the various early post-independence efforts at regional or sub-regional integration and co-operation in Africa came to grief soon after they were launched or failed to take off at all. The most celebrated case of the rise and fall of a regional or sub-regional co-operation effort was that of the East African community which showed early promise of success but died a strange death as a result of political and economic problems. In the case of West Africa, outside of the Francophone countries whose economic community of West Africa (CEAO) was established with French support, various smaller groupings existed but none of them tied together all of the Anglophone and francophone countries that made up the sub-region. It was only to happen in 1975 when at the initiative of Nigeria and Togo, ECOWAS, the Economic Community of West African States, was established.

However, the current resurgence of interest in matters of regional integration and co-operation on a global scale have come in the context of several years of accumulated experience on how West African states should collectively chart their economic and political destiny. Yet ECOWAS has been beset by a host of problems since its inception and these are familiar to most of you here. Suffice it for me to note that the problems have been compounded by the climate of economic crisis and structural adjustment in which practically all the countries of the sub-region find themselves. With the absence of co-ordination of economic policies generally and adjustment programmes particularly, West African regional integration might come to grief unless statesmen and the peoples of the region make more spirited efforts to advance the goals and objectives of ECOWAS.

Various suggestions have been made on how the goals and objectives of ECOWAS can be advanced in the 1990s and beyond and I believe some of them are indeed useful. From the extensive review of the 1975 Treaty to the concrete steps which are being outlined for the implementation of protocols already ratified, measures are being taken to make the goal of regional integration in West Africa succeed in a world that is becoming more protectionist and which is re-grouping on the basis of blocs. It is my strong belief however that the greatest boost which we can give to regional integration in West Africa is to constitute active, non-governmental lobbies in our various countries to press our governments to push ahead with dismantling the artificial barriers which separate us. No regional integration effort can succeed which is
not built on popular support amongst the peoples of the countries of the co-operating sub-region or region.

Happily, in West Africa, through extensive informal channels, peoples have, in the last few years especially, among the traders displayed a very strong desire to co-operate and integrate. Consequently, in spite of many odds, goods, services, and people have been moving across boundaries, surmounting bureaucratic bottlenecks and poor infrastructural facilities. The least we can do, as interested and concerned people, is to identify the positive and progressive elements of these informal flows, especially those that are strongly supportive of local productive efforts (agricultural and industrial) in the sub-region and harness them for the good of our peoples and countries.

May I state categorically that perhaps more than any other region of the world, the necessity for regional co-operation is most imperative in Africa which remains today, on the eve of the 21st century, the world’s most economically backward and underdeveloped region. Yet, the reality remains that only a serious and determined African effort would develop Africa and move the continent and its peoples forward to the road of prosperity and general economic development.

Again, there are certainly some countries, some leaders and some powerful peoples world-wide who it is in their interest to see Africa and Africans as non-actors or passive observers, chronic recipients of international generosity, marginalised and irrelevant, now and in the 21st century. It is our duty, indeed, our obligation to prove these peoples and countries wrong by doing our best in whatever capacity we find ourselves to improve the African condition in a trinity of ways - Political, Economic and Military/Strategic.

In this context, we must commend the enormous efforts of all Nigerian successive governments since the founding of ECOWAS in 1975. Their consistency, their tenacity of purpose and the general dedication to the letter and spirit of ECOWAS has today, made it the most successful sub-regional organization in Africa and with one of the most impressive records world-wide.

Finally, I urge you particularly as Africans, as West Africans, and as Nigerians to believe in yourselves, do not bow to the icons of the past that saw most African efforts as negative. Do not lose the wonderful confidence in yourselves, in your own experience, instincts and out-look which enabled us to survive so far. Indeed, few problems can be finally solved; many however, can be usefully mitigated when the time is ripe. For us, today, our generation is called upon to act in response to the ill-defined rhythm of international politics, leaving us with no other option than admitting that having survived large troubles in the past, we are prepared to surmount future obstacles in order to see
a reinvigorated African economy, a relevant and active Africa within the international community, and a confident African people ready to take their rightful place in the comity of nations.

I thank you for listening and it is my profound pleasure to declare this meeting open. In doing so, I sincerely hope that you will be able to produce workable policy recommendations that will assist the quest for beneficial regional integration in West Africa.
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