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FORUM

Regional Cooperation

Regional economic cooperation between developing countries has frequently been recommended as an appropriate way of improving the situation of the peoples of the Third World. The following contributions throw some light on the benefits as well as on the problems and obstacles connected with corresponding efforts in different parts of the world.

The Economic Community of West African States

by Ignatius I. Ukpong, Lagos *

On May 28, 1975, representatives of fifteen West African States, most of them Heads of State and Government signed a treaty in Lagos establishing the Economic Community of West African States (ECOWAS). The fifteen countries concerned are: Dahomey, Gambia, Ghana, Guinea, Guinea Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo and Upper Volta. One thing unique about the ECOWAS is that it embraces all the countries within the present boundaries of West Africa and that they all constitute the founding nations. The Community will start to function upon the ratification of the treaty by at least seven member countries. The Community will admit other African countries whenever they are ready. As a matter of fact some members have spoken out on the need for a wider African Market in the hope that the larger the market the larger the total gains to be derived pursuant to the formation of the community.

The idea of economic cooperation in one form or another is not new in West Africa. The French West African Colonies were administered by France as a single economic unit. In spite of disintegration, which came only when the colonies were given independence separately, there is still a high degree of cooperation among the former French West African States. An example is the West African Customs Union comprising Dahomey, Ivory Coast, Mali, Mauritania, Niger, Senegal and Upper Volta. These countries are members of the French monetary zone. They have a common Central Bank and a common currency. Gambia, Ghana, Nigeria and Sierra Leone were members of the West African Currency Board and each used the currency issued by the Board until the establishment of individual Central Banks about fifteen years ago. The majority of English speaking West African countries have bilateral trade agreements with each other. The same thing applies to the French speaking West African countries. As a matter of fact, some countries in both English and French speaking West African sections who constitute the ECOWAS have bilateral trade agreements of one form or another between them.

The Economic Commission for Africa (ECA) has been very vocal in encouraging regional economic integration in Africa. It is the ECA that has divided Africa into East African, West African, Central African and North African sub-regions for the purpose of promoting regional economic development. One of the objectives of the OAU is the promotion of intra-African trade and economic cooperations at least at the sub-regional level.

In spite of earlier initiatives, first by the ECA, and later by the OAU, the first real step towards economic cooperation in West Africa as a whole was a meeting which was held in Niamey in October 1966 with economic cooperation in West Africa as the main item on the agenda. The Niamey meeting was followed by the Accra meeting in April/May 1967, the Dakar meeting in November 1967, and by the Monrovia conference of West African heads of state in April 1968. Further march towards the formation of the community was initiated at a meeting in 1972 in Togo. It was then that practical steps were taken and procedures adopted which have culminated in the signing of the treaty establishing the ECOWAS.

The ECOWAS should be able to respond to the urgent needs of the member states. West African countries like other developing countries are pregnant

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with economic imbalances attributable in part to ever rising prices of industrial goods (their main imports) and declining prices of their export goods (primary products). A group of prominent economists among whom are Prebisch, Singer and Myrdal have argued that the terms of trade have actually deteriorated for the poor countries among which are all members of the ECOWAS. Since international trade forms a big proportion of the poor countries' national income, deteriorating terms of trade result in deteriorating growth rate of national income and hence a deteriorating per capita income of the poor countries.

The unfortunate thing about the poor countries is that unlike the developed countries, they are less able to shift resources out of primary products which are subject to declining world demand, therefore the prices of primary products fall drastically when demand declines. The United Nations Report on the first Development Decade indicates that in terms of per capita output including the output of capital goods in process of completion, the gap between the poor countries and the rich countries is rapidly growing wider and wider. Because of the adverse terms of trade experienced by many developing countries including members of the ECOWAS, developing countries have perennial balance of payments difficulties.

The distribution of income and wealth in the world is becoming more and more concentrated in the advanced countries (industrial countries). Capital formation which is still a necessary condition for modern development continues to be low in developing countries among which are countries making the ECOWAS.

The arrival of the ECOWAS at this time when the present international monetary system has become inflation ridden and the search for a new international economic order is increasing in speed is therefore very opportune. For one thing, the creation of the ECOWAS foresees an enlarged market for the members. It should be noted that the total population of the area is over 100 million. The natural resources of the community are enormous. Nigeria, the largest member of the community is the sixth largest oil producer outside North America and the Soviet Union. Ghana is the world's largest cocoa producer. Sierra Leone has large reserves of iron ore.

Benefits from Cooperation

At present, the intra-West African trade is negligible. It was less than 3 p.c. in 1965/66. The intra-African trade is negligible too. It was about 8 p.c. in 1965/66. The intra-Eastern European trade was 63 p.c. while that of Western Europe was 64 p.c. in 1965/66.

The ECOWAS will definitely increase both the intra-West African and the intra-African trade. Also foreseen in the creation of the ECOWAS are:

- ☐ a welfare gain on the consumption side due to trade creation;
- ☐ lowering of prices of goods traded within the community;
- ☐ lower production costs to the residents of the region in the sense that some members will discontinue production of goods which could only be produced at very high costs and instead import the same goods at comparatively cheaper costs from members with comparative cost advantage.

Other benefits that will accrue to the members include greater efficiency in production due to greater specialization within the community and increased competition among existing and future industries, emergence of large scale production and distribution methods, creation of numerous job opportunities for the residents of the community; high income elasticity of demand for imports from the member countries thus increasing the intra-West African trade and consequently the intra-African trade; high rate of capital formation due to increase in net savings resulting from lower production costs. Another benefit is the increase in the bargaining strength of members collectively and individually at international economic negotiations. The ECOWAS will facilitate capital flow, labour mobility and resources flow in general and these are vital for development. The ECOWAS will eliminate smuggling.

Improvement in intra-community trade may lead to an increase in the output of products with high demand in the region and a decline in the output of high-cost products produced mainly to satisfy outside markets. The treaty provides for development of transport and communications which will eventually reduce marketing costs within the community.

The countries of the ECOWAS are similar in many respects. They are practically in the same stage of economic development. Countries along the coast are ecologically similar and produce similar agricultural products. The same thing applies to the savannah areas of the region. The level of industrialization is generally low in all countries of the community. Contrary to the popularly held view that similarities in the initial conditions and levels of development constitute constraints on the formation of an economic community, similarities are advantageous. It is contended that the gains will tend to be larger than if the countries were initially dissimilar. Dissimilarity implies that the countries are already spe-

cialized to a large extent in the commodities in which they enjoy a comparative advantage. Similarity between members of the ECOWAS implies the existence of potential gains from specialization pursuant to the formation of the community and larger anticipated total gains for the community in the long run.

At present the principal commodities in intra-West African trade are live animals, smoked and dried fish products, onions, kola nuts, cowpeas, rice, millet and sorghum. The fact that most countries of the region produce these products, that there are poor transport links between countries make the volume of trade rather small. This similarity will force member states to change their economic structure, thus increasing the volume of trade among themselves. A change in economic structure will necessarily lead to specialization and consequently greater development of the community.

The ECOWAS has a number of problems to solve. The greatest problem appears to be in the infrastructural sector. The inter-territorial transport links between individual countries are very poor indeed. Production and distribution of power within the community is grossly inefficient. A transport, communications and energy commission which is to be established should take care of the problems of infrastructure. Another serious problem is lack of standard measures and uniform grading systems within the community. In Nigeria for example, the quality of products especially in the "open markets" is determined by visual inspection, touch or smell. There should be a commission or committee on standards to set up grades and standard weights and measures to be applied within the region.

Another problem concerns currency, credit and payments. As already indicated most of the members belong to one currency area or another. Hence any new arrangement to facilitate payments within the region such as the one envisaged by the setting up of a committee of West African Central Banks should not present a serious problem. The problem which would have arisen by the loss of revenue due to gradual liberalization of trade within the community will be taken care of by the Fund for Cooperation Compensation and Development. Language barrier has never been a serious impediment to cooperation for trade and economic development.

The Economic Community of West African States is the second best approach to the development of West Africa. The best approach which would have been the merging of member countries into one political and economic entity is not feasible for a number of reasons and has not even been advocated by the founding fathers. Rather, the founding fathers advocate the gradualist and pragmatic approach. However, one thing is certain: West African countries and Africa have a lot to gain by the success of the ECOWAS and a lot to lose by its failure.

"Bangkok Agreement" – Scope for Increasing Trade

by Professor Dr Bodo B. Gemper, Cologne *

The "Bangkok Agreement" which was signed in Bangkok, Thailand, on July 31, by six member nations of the Economic and Social Commission for Asia and the Pacific (ESCAP) [1] may be regarded as the modest beginning of a new era in trade and development in this region, inspired by the European Economic Community. Consultations between the signatory states started in 1963. The Agreement is the result of several years of negotiations since 1970, organized by the Economic and Social Commission for Asia and the Pacific, and is the first step towards trade expansion among the signatory states and other developing member countries of ESCAP through preferential trade arrangements. It is the first agreement concluded on such a scale, and under such terms in Asia.

An Example for System-transcending Integration

The Bangkok Agreement was signed by senior representatives of the Governments of India, Laos, the Philippines, Republic of Korea, Sri Lanka, and Thailand. Two other participating nations in the round of negotiations which led to the Agreement – Bangladesh and Pakistan – are expected to sign shortly, under arrangements covered by the terms of the eight-nation Agreement. This Agreement provides for a continuing process of negotiations, aimed at much wider trade concessions between member countries in the coming years, under ESCAP auspices.

The significance of the Agreement was underlined in statements at the signing ceremony. However it is by no means a small task for the participating

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[1] Formerly ECAFE, Economic Council for Asia and Far East.