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Does ECOWAS have an influence on Nigeria’s trading policies?”

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Abbreviations

ACP	African, Caribbean and Pacific States
AEC	Pan-African Economic Community
AMU	Arab Maghreb Union
AU	African Union
CEAO	West African Economic Community
CEMAC	Economic and Monetary Community of Central Africa
COMESA	Common Market for Eastern and Southern Africa
CMA	Common Monetary Area
EAC	East African Community
EC	European Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EPA	Economic Partnership Agreement
EU	European Union
GATT	General Agreement on Tariffs and Trade
ICAD	Inter-Governmental Authority on Development
IMF	International Monetary Fund
IOC	Indian Ocean Commission
LDC	Least Development Country
MERCOSUR	Mercado Común del Sur
MRU	Mano River Union

NAFTA	North American Free Trade Agreement
NEPAD	New Partnership for Africa's Development
NPN	National Party of Nigeria
OCT	Overseas Countries and Territories
OPEC	Organization of Petroleum Exporting Countries
RTA	Regional Trade Arrangement
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference
SAP	Structural Adjustment Program
SDP	Social Democratic Party
UDEAO	Union douanière et économique de l'Afrique de l'Ouest
WAEMU	West African Economic and Monetary Union
WAMZ	West African Monetary Zone
WTO	World Trade Organization

1. Introduction

1.1. Aim and Background

In this paper, I wish to explore the significance of the Economic Community of Western African States (ECOWAS) as a regional economic union for Nigeria and its trading policy. This object of interest was recognized by the scientific community in 1950 with the publication of Viner's custom union theory. In the 1990ies an enormous amount of scientific literature followed, also known as the second wave, as many regional blocs emerged new or rather restructured. The base of their investigations concerned mainly the regionalization theory which tried to explain the significance of regional blocs and the influence of the trade policy on their members. Bods defines in his article that regionalism "denotes the body of goals laid down for the regional bloc, whereas regionalisation represents the active pursuit of a strategy aimed at creating a regional system in a specific area, issue-specific or general, geographically contiguous or not." (Bods 2001: 28)

Theoretical literature provides economically major motivations for the formation of a trade bloc such as ECOWAS due to scale effects, growth effects and location effects. (Baldwin 2008: 5) Others see regionalization as a response to globalization in a political way "to enhance national and regional security in a broad sense. (Bods 2001: 28) On the other hand, critical voices like the World Bank, which represents free trade, thinks that regional trade blocs limit rather than encourage global trade expansion. (UNCTAD 2009: 7)

As the issue of advantages and disadvantages of membership in a regional agreement and the effects on the members trading policy is yet not explored to a great extent, it is worth mentioning the depth researched in the scientific papers sofar.

The main focus of the work lies on the restructure measures of ECOWAS within the "Revised Treaty" (Lagos treaty) in 1993 and the consequences for Nigeria's trading policy. Due to the interdependence between Nigeria and ECOWAS, several interesting questions arise. The African Economic Outlook in 2009 of the United Nations pleads for a closer integration of African regional groups in the means for accelerating and consolidation economic and social development. (UNCTAD 2009: 1) It is therefore essential to take a closer look and analyze, if Nigerian's membership to ECOWAS leads to an increased Inter-African trade; and whether or not ECOWAS leads Nigeria to greater independence from the "Northern" trading partners. This econometric analysis will provide results which will show whether an increased Inter-

African trade could be observed, and if the membership in the restructured ECOWAS led Nigeria to more independence from the “Northern” trading partners as:

> “[T]he mission of ECOWAS is to promote co-operation and development in all spheres of economic activity through the removal of all forms of trade barriers and obstacles to the free movement of persons, goods and services, as well as the harmonising of regional sector policies. The main objective is to establish a large West African common market and create a monetary union.” (EBID 2008)

Furthermore, negotiations from the year 2000 between the EU and regional blocs as well as with single countries in the form of European Partnership Agreements (EPAs) highlight the importance of regional blocs. All of the ECOWAS members still refuse to sign EPAs today, with the exception of Ghana and the Ivory Coast who “only” signed Interim Agreements (Küblböck 2008: 4), as well as bilateral partnership agreements, such as the African Growth and Opportunity Act (AGOA) with the United States. Nigeria signed a United States Trade and Investment Framework Agreement (TIFA) within the strategy of AGOA in 2000. (USTR 2010)

Another major challenge which ECOWAS and other regional agreements in Africa are facing was the signing of the Abuja Treaty in June 1991 which provided arrangements for the creation of the continent-wide AEC by 2027. The formation of regional economic cooperation arrangements serve to provide the underpinnings for the planned AEC. This process of regionalism is supposed to advance political unity at pan-African level and to enhance economic growth and development. (United Nations 2009: 1)

> “[B]ut overlapping mandates and objectives, duplicated integration policies, and the multiple memberships by African countries appear to be slowing integration, reducing the regional economic communities’ effectiveness, and stretching thin limited financial resources.” (UNECA 2006: 2)

For the above reason, this papers starts with an examination of the relevant theoretical literature, as well as the existing empirical studies on this topic. Following this, a brief overview of the history of ECOWAS and Nigeria will be provides within the timespan; alongside, the relevant econometric analysis.

The analysis itself will concentrate on merchandise trade, whereby the dataset draws information from the COMTRADE database on imports and exports of goods across a broad range of categories, as well as the direction of trade and the “CEPII Gravity Dataset” which includes variables that are expedient to construct the gravity model.

The overview of this paper is composed as follows:

The first chapter is titled “The Theory Behind” and deals with the general theory of regionalization and integration and the consequences for the states which achieve membership to regional agreements. One of the subchapters focuses on the WTO and its trade rounds as many scholars see the WTO itself as an agreement with a large numbers of members.

Further on, the chapter deals with the integration process in Africa and the special case of ECOWAS. It clarifies treaties which occurred during the second wave of regionalism and the impact of those for Africa.

In the next chapter termed “Abstract of the history of ECOWAS and Nigeria”, the focus lies on the historical and political background of ECOWAS and Nigeria. An overview of ECOWAS ten years before and after the “Treaty Revised” is provides.

Chapter four is titled “Econometric analysis”, in which the reader receives a basic understanding of the gravity model which is used to analyze the situation of Nigeria within the timespan ten years before and after the “Treaty Revised”. The main question relates to how far the trading pattern of Nigeria has changed within the members of ECOWAS compared with the rest of the world.

In the concluding chapter, the theory is combined with practical findings. In addition, an outlook of regional integration in Africa is undertaken.

2. The Theory Behind

2.1. Integration and Disintegration

The modern research of the regional integration theory started with the published work of Viner in 1950, in which he wrote that the impact of welfare in custom unions is ambiguous. This conclusion led to a flood of papers which have continued until today. (Baldwin/ Venables 1995: 1602) Especially within the second wave of regionalism, the theory received a great deal of new input and new perceptions which do not all agree with Viner's findings in 1950. Viner's theory of trading blocs only withstood analysis until the 1980ies, as "the growing disparity between the theory and practice of international trade and trade regulation became painfully apparent for participants in the prolonged and acrimonious Uruguay negotiations." (Michalak/ Gibb 1997: 268)

Ethier defines the difference between the two waves as follows (Ethier 1998: 1149ff):

- The trade of manufactured goods due to multilateral liberalization is more complete nowadays than it was during the first wave.
- Economically less advanced countries try to follow an active path to be part of the multilateral trading system. They do not follow any longer policies which were basically-autarkic and anti-market which was usually done in the former regionalism wave.
- Direct investment has become more popular than it was before.

Direct investment is mentioned by the author as being of particular importance, by stating that the credibility of a state's commitment (due to reforms within an arrangement) attracts direct investment, which is also applicable for regional agreements and the other member-states. (Ethier 1998: 1157)

It is also possible however to divide the historical process not only in two sections but rather four.[1] The other two waves are seen in the context before World War II. The first wave was already observed in the second half of the nineteenth century mainly in Europe due to industrial revolution and technological advances, whereby the market attempted to tighten up

1 For a more detailed treatise of the historical process see Mansfields and Milner 1999

together. The second section started after World War I, where the regional arrangements were characterized by preference agreements. This wave is often seen as “the pursuit of beggar-thy-neighbor policies and substantial trade diversion, as well as heightened political conflict.” (Mansfield/ Milner 1999: 597) The following two waves will be discussed later on, after World War II. However, it is important to distinguish between policy-induced and economic-induced regional agreements. (Mansfield/ Milner 1999: 600) The latter is especially characterized by promoting and strengthening domestic reforms to liberalize markets and develop democracy. (Mansfield/ Milner 1999: 621)

Integration and regionalization are closely related to globalization as “[r]egionalisation can thus be a response to globalisation, and at the same time stimulate the microeconomic forces that drive globalisation.” (Oman 1994: 35) Subsequently, it is important to clarify the conception of globalization before continuing. Oman writes in his book that “globalisation is driven by macroeconomic forces that tend to promote both de facto regional integration, and de jure regional arrangements among governments.” (Oman 1994: 11) He argues further that globalization promotes regional arrangements insofar “[…] – but only insofar – as they strengthen the forces of competition within regions.” (Oman 1994: 11) Another concept explains globalization as “a process of change which creates world-wide linkages, diffusion of ideas and identities, and interdependence between production locations and infrastructure at the subnational level, the national level and the international level.” (Bods 2001: 28)

However, the concept of the above quote seems to be quite more complex than at first glance. The word “globalization” itself has only been in use since between the late 1980ies, beginning of the 1990ies. It became a “buzzword”. (De Jong 2011: 14) The various dimensions which the word implies makes it nearly impossible to set a single analytical framework, as the De Jong further argues that “the concept globalisation is used for both the *condition* of interconnectedness, and the *processes* that lead to such interconnections on different levels.” (De Jong 2011: 14) Indeed, Michalak and Gibb state in their article that globalization is an overstated fact in the world economic market, which hallmarks weaker commitments to multilateral trade principles by national governments, but prefers a membership in trade blocs. (Michalak/ Gibb 1997: 265)

Europe and North America alone account for two third of the world trade, as observed by Baldwin and Venables, and those two regions liberalized trade within the whole trade market.

- Due to their initiatives, 40% of world trade is directly affected by regional integration agreements. (Baldwin/ Venables 1995: 1598) In Europe the EU, and in North America the NAFTA, many scholars argue that a consequence of those two trading blocs, nearly each occupying an entire continent, is an excessive degree of regionalization. However, to keep the goal of free trade in mind, Frankel suggests “to extend the privileges of regional arrangements from two-country agreements (…) to a wider subcontinental bloc, then to the continental level and beyond.” (Frankel citied after Michalak/ Gibb 1997: 269) The African Development Banks data, even state that 60% of the world trade took place within integration trading blocs. However, they not only trace it back to regional integration, but also to multilateral trade liberalization. (African Development Bank 2000: 109) This has to be distinguished between multilateralism and regionalization, as they have “different modes of regulation and spatial outcomes.” (Michalak/ Gibb 1997: 274) In related literature many scholars do not think that regional agreements are the instrument to gain multilateral openness. (Mansfield/ Milner 1999: 595) As many studies within regional agreements have primarily focused on role of financial flows and the flexibility of the world market, the authors see the emergence of those agreements as a consequence of the decline of the US hegemony and the transformation of the world system: from a Fordist system to a post-Fordist mode of social regulation, an advancement of technology in production and globalization. (Michalak/ Gibb 1997: 264)

Bourenane distinguishes in his paper that regional integration could be either “voluntary”, or “collectively undertaken”, which indicates the concept of community-building, which is “geographically defined”, further classifying it as “technical and bureaucratic modalities and institutional mechanisms for enhancing economic cooperation between neighbouring countries.” (Bourenane 1997: 51ff) World Bank additionally recognizes the “domino regionalism”. This means that states receive membership in a regional agreement, despite being adverse to it, however the political and economic pressure from outside is too high. (World Bank 2000: 96) In the words of Oman, “[…] regionalisation can be defined as the movement of two or more societies toward greater integration or greater pooling of their sovereignty. It is a centripetal process.” (Oman 1994: 34) Bach defines in his article for the volume of Igue and Schumacher regionalism as “the idea, the ideology, the policies and goals that seek to transform a geographical area into a clearly identified social space.” (Bach 2003: 68) Mansfield and Milner state in their article that other scholars define regional agreements as “members of a common region (which) also share cultural, economic, linguistic, or political ties" (Mansfield/ Milner 1999: 591) or as preferential economic arrangements which are made by states which are close (not necessarily geographically) for example the United States – Israel Free Trade Area.

As quoted by Clark, Smith takes in his book the different processes of regional integration into account (Smith citied after Clark 1996: 59):

- Scope – the range of issues areas and transactions falling under the influence of the integration scheme
- Depth – the extent of policy co-ordination or harmonization
- Institutionalization – the degree by which accommodation and decision making take place in organized and predictable ways, potentially through formal acceptance of a diplomatic treaty, or though formal and informal processes, such as through de facto participation in a regional entity
- Centralization – the extent to which a central, supranational decision-making apparatus exists to establish common policy and resolve disputes or whether accommodation results from intergovernmental bargaining.

In other words, regionalization can take different institutional forms, ranging from a preferential trade agreement to custom unions, or a deeper integration, which results in the harmonization of some domestic policies. A more developed form of regionalism can be found in the form of a fully- fledged economic, monetary or political union. (Oman 1994: 34) Not only does an economic component exist, but also political consequences for the member states are inevitable. (Mansfield/ Milner 1999: 595)

The main differences however, according to the UNCTAD, are the extent of the preferences which are granted to the members and the degree of coordination of policies among them (UNCTAD 2007: 37), as all agreements have the same overall goal, namely to remove trade barriers. (World Bank 2000: 1) Later on, Bourenane writes that the approaches of regional integration date back to the economic schools of neoclassical economics[2], Marxism[3], and

2 The neoclassical economics lays its theoretical framework on three assumptions: "1. People have rational preferences among outcomes. 2. Individuals maximize utility and firms maximize profits. 3. People act independently on the basis of full and relevant information." (Weintraub 2002)

development economics[4]. He suggests a planned and centralized approach for developing countries which indicates the rational use of the available resources for satisfaction of the region's need. (Bournane 1997: 52f) The Economic Commission for Africa sees a positive effect for developing countries to take part in the process of regional integration, but only if unilateral trade liberalization can be achieved. Furthermore, more direct engagement of the countries is needed to implement deep integration, which is translated by the removal of national borders and differences in product standards on a national level. (Economic Commission for Africa 2004: 12) Oman sees regionalization as a very strong policy instrument for member states to "disrupt, weaken or dilute" the power of domestically strong tied groups, to extend domestic market power and to push competition. However, it also could stimulate reforms in legislation which otherwise would not be done by the member states. Such reforms would build up collective policy sovereignty over more dominant groups in a region. (Oman 1994: 15) However, regionalism can either produce "reform destruction" or "reform creation". In the "reform destruction", fewer countries attempt to reform, therefore the proportions of those who succeed remain relatively low, and vice-versa. (Ethier 1998: 1158f) "Although governments may choose to join regional agreements to promote domestic reforms, they may also do so if they resist reforms but are anxious to reap the benefits stemming from preferential access to other members' markets." (Mansfield/ Miner 1999: 605)

As regional integration agreements bring markets closer and initiate more competition, the monopoly power of firms in member states will be reduced. This can be generated through three types of gains, which can either be achieved through induced price cuts and expanded sales, as consumers have more choice; through exploitation of economic scale by enlargement of the firm; or through the reduction of inefficient factors in a firm, because of the higher competition in the market to raise productivity. Those gains are predicted to be higher for

3 One of the pillar traditional Marxian economics is the theory of value. "The theory's basic claim is simple: the value of a commodity can be objectively measured by the average number of labor hours required to produce that commodity. […] Marx argued that the theory could explain the value of all commodities, including the commodity that workers sell to capitalists for a wage. Marx called this commodity "labor power."" (Prychitko 2008)

4 Development Economics focuses on the economics of the developing world. It has its origin in the high development theory which is for example Samuelson's formulation of the Heckscher-Ohlin model, or Robert Solow's initial statement of growth theory. (Krugman w.y.)

developing countries than for higher-income countries, due to the greater exploitation of economic scale. (World Bank 2000: 31f)

The major goals of such regional integration groups for developing countries are the provision of physical infrastructure, which indicates transport and communication networks, alongside reduction of tariff barriers and other formal restrictions. Following this, the World Bank defines that the security, bargaining power, and “lock-in” (the effect on domestic politics derived from membership) aspects are reasons for states to join a regional agreement. (World Bank 2000: 6f) Other, rather subordinated goals of such arrangements could be the energy and water resource management to foster trade and growth potential, as well as environmental and health challenges which need close cooperation of the members to ensure efficiency. (UNCTAD 2007: 45) Further on, Mansfield and Milner state that other reasons for states to join a regional agreement is because they seem “likely to facilitate more extensive commercial liberalization than unilateral or multilateral strategies would permit, given the nature of domestic institutions and the interests of potent segments of society.” (Mansfield/ Milner 1999: 619)

Security is insofar a relatively important aspect to be considered, as many political scientists believe that an increase in trade leads to more trust within the members, therefore lowering the risk of intraregional conflicts. Security seemed also one of the major reasons for the EU to form an economic integration union. (Clark 1996: 60) Polaschek additionally discovered in his studies that a doubling in trade between two countries lowers the risk of conflict around 17%. (World Bank 2000: 13) However; if security is not the main goal of the arrangement, the opposite effect could occur and conflict potential is arising. The American Civil War is one of many example of this aforementioned effect. Massive income transfer from the South to the North, due to influctuation in tariff rates, finally led in 1860 to a conflict, as the Southern States wanted to separate from the custom union. Similar situations could be observed when Ireland broke away from the union with Great Britain in 1807, or the split between East Pakistan and West Pakistan, whereby the east became Bangladesh. The conflict within the integration agreement UDEAO in 1979 can also used as an example, where a conflict between Tanzania and Uganda aroused. (World Bank 2000: 14ff)

Another aspect of security is not necessarily the intraregional security, but the necessity to unite against external threat, such as the formation of the SADCC in 1980, to provide a front against the apartheid regime in South Africa. (World Bank 2000: 16)

If small countries unite, for example in a regional agreement it could also empower their bargaining power against more dominant countries at the world trade market level. One example where bargaining power works well is the OPEC. OPEC as a trade bloc was able to raise oil price, despite some of the members being relatively small, due to their strategy of working together. However, it could also be observed that developing countries which were together in a union could not achieve this kind of bargaining power, they were not able to act in unison and each of the countries followed a diverse strategy. (World Bank 2000: 18) Despite this, another aspect in the context of developing countries is that a regional agreement could also limit member bargaining power, due to competition when external investment is done. A consequence of this is that each country tries to reduce taxes, because low tax revenue is better than none. Resultantly, tax concessions should be controlled by regional agreements; however, this often goes beyond the scope of such agreements. (World Bank 2000: 20f)

According to the Economic Commission for Africa, regional integration arrangements could take the following forms (Economic Commission for Africa 2004: 10):

- A *preferential trade area* allows members to decide the tariffs of imports from members and non-members.
- In a *free trade area* imports from other members do not have tariffs and imports of non-members can be determined.
- *Custom unions* are free trade areas in which members impose common tariffs on nonmembers.
- In a *common market* free movement of the production factors (i.e. capital and labour) is allowed across national borders but within the integration area.
- In an *economic union* a unified monetary and fiscal policy exists, which include a common currency.

- In the *political union*, which is the ultimate stage of integration, members become one nation.

What is interesting about regional agreements is that, although the majority of empirical studies have discovered that overall welfare effects, for both members and non-members, of a regional arrangement are very small, more and more agreements arouse worldwide in the 1990ies. This seems quite surprising, because neoclassical economic theory states that free trade will improve welfare, as citizens can choose between the cheapest goods and services on the market; however, this only works out if the trade diversion[5] effect is bigger than the trade creation[6]. (Economic Commission for Africa 2004: 11) The trade diversion school tries to give following answer for the welfare phenomenon:

> "regional arrangements have become a vehicle for rent-seeking by well-organized groups, in opposition to the wider interests of the disorganized majority, leading to a world of increased transaction costs and growing protectionism akin, on some assessments, to the situation in the 1930s. […] Regionalization has generated a "spaghetti bowl" of intertwining agreements, which clog up the workings of the trading system and pose a threat to a truly free trade order." (UNCTAD 2007: 38)

Another, more positive, view represents the supporters who think that "regional arrangements can provide "building blocks" for a global free trade order. In particular, they strengthen support for market-friendly reforms and improve the local business climate, especially its attractiveness for transnational corporations." (UNCTAD 2007: 38) Furthermore, the building of one arrangement could attract other additional countries to establish an arrangement and lead to a "domino effect", which could direct to a fully open world if members from the North and the South cooperate. (UNCTAD 2007: 38)

Other consequences which can be observed by members of regional integration are that such arrangements lead to a loss in revenue from tariffs for the government, and that these could improve the terms of trade if trade volumes change and the world market prices lower. This effect increases when a greater share of the arrangement in the world market is available. (Economic Commission for Africa 2004: 11) Additionally, it can be observed that regional

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5 "Trade diversion occurs when imports of inexpensively manufactured goods from nonmember countries are replaced by more expensive imports from participating countries." (Michalak/ Gibb 1997: 268)

6 Trade creation occurs "when a country's more expensive domestic production is replaced by cheaper products imported from a participating country." (Michalak/ Gibb 1997: 268)

agreements influence the economic dependence of members and therefore affects the power relations enormous. (Mansfield/ Milner 1999: 611)

Another fact which should be questioned in the context of regional integration agreements consider the cost of non-membership of a country. What effects could arise for those countries, as the decision of a country to join a regional agreement is mainly due to the preferences and political power of different parts of society. (Mansfield/ Milner 1999: 608) Firstly, an influential change in trade flows can be observed, as imports and exports from non-members will decline, which will have adverse effect, if they already have a small scale: These could potentially cause a harmful effect when the scale is too small that marginal benefits exceed marginal costs. This situation arises when the country has restrictive trade policies. (World Bank 2000: 97) Another point worth mentioning is that non-members will make a great loss if a trade war occurs because members in a regional integration agreement still have the possibility to trade free with other members. (World Bank 2000: 97)

To summarize, regional agreements are not designed equally and not all of them meet their stated objectives successfully. There are major differences in the design as well as in the depth of integration between them. It seems also to be important to take into account that "such traditional theories of integration, however (…) are usually of limited relevance to regional integration in developing countries. For these countries, the major rational (…) lies less in the potential benefits to be derived from changes in existing patterns of trade or production than in the impact (…) on fundamental socioeconomic and even political problems." (Gambari citied after van den Boom 1996: 4) Some scholars also argue that the depth of economic integration stands in relation to the number of members. (Mansfield/ Milner 1999: 615f) "Trading blocs are not the result therefore of some universal laws of capitalist development so much as they are the outcome of a complex web of coincidental historic, economic and political circumstances." (Michalak/ Gibb 1997: 275)

2.2. Multilateral Negotiation Rounds and their Influence on Regional Agreements

A further important desire which indirectly promoted new regionalism, at least in developing countries, is the result of the Multilateral Negotiation Rounds, namely the Uruguay Round which came into effect in 1995 till 2000 and changed the GATT into the WTO. (WTO 2011) This round is particularly important as it first has had many consequences for developing countries and secondly covers around a quarter of the time. This will be examined in the forthcoming econometric analysis.

An interesting fact is that some scholars see the WTO as a trading bloc itself, but due to the high number of members, it differs from other forms of regional agreements. According to classical liberal economists, the WTO leads to an optimal allocation of the factors of production and therefore to an increasing welfare of its members due to the optimal utilization of them. (Michalak/ Gibb 1997: 267)

The GATT has tried since its inception to monitor those preferential agreements, especially as “article XXIV of the 1947 General Agreement on Tariffs and Trade, GATT's founding document, stipulates that member-states are permitted to form a PTA only if it eliminates barriers to "substantially all the trade" among its members and does not "on the whole" increase protectionism against nonmembers.” (Mansfield/ Reinhardt 2003: 831f) The World Bank states that article XXIV can in fact help regional agreements to exploit, it but not in the terms of economic policy. (World Bank 2000: 109) In 1979 the GATT adopted the “Enabling Clause”, which “allows derogations to the most-favored nation (non-discrimination) treatment in favor of developing countries” (WTO 2011b), however the rules have had little success. Most countries in fact do breach the rules each time a country joins a regional agreement. (Mansfield/ Reinhardt 2003: 832f) In 1996 the Committee on Regional Trading Agreements came into force. “Its two principal duties are to examine individual regional agreements; and to consider the systemic implications of the agreements for the multilateral trading system and the relationship between them.” (WTO 2011c) It should give the formation process of regional agreements more transparency, efficiency, and consistency in accordance to the WTO rules by making periodic reviews, however; the success was minimal, as clear rules are missing. (World Bank 2000: 114)

To recap, regional agreements according to the WTO are not allowed to restrict access for non-member states, as regional agreements must not raise protection against non-member states. Furthermore, internal tariffs should be removed to zero, alongside additional undertaking to remove trade barriers, and regional agreement should cover, if possible, all trade. (World Bank 2000: 108)

As the World Bank declares in its paper, the WTO can help developing countries in different ways to achieve economic welfare through organizing periodic rounds to reduce trade barriers which are present due to reduction of tariffs, and giving guidelines for domestic policy. Moreover, the WTO can protect rights of members if their counterparts violate any terms of the agreements, and the WTO also provides a forum and mechanism for member-states to "handle spillovers from other members trade policies onto their patterns." (World Bank 2000: 107f)

However, African Countries (Sub-Saharan Africa) achieved less than other developing countries in the Uruguay round, who also had "better" treatment during the negotiations. Nevertheless Wang and Winters believe that they can achieve more, if the countries more actively present their interests in the next round. (Wang/ Winters 1998: 11ff) Those negotiation rounds of the GATT/ WTO are also supposed to help countries in trade liberalization: since its existence in 1947, average tariffs rates have reduced from more than 40% to less than 5% on manufactured goods. (World Bank 2000: 101ff)

Mansfield and Reinhardt also found out that countries integrate into a regional agreement if (Mansfield/ Reinhardt 200: 830):

1. the membership of GATT/ WTO rises
2. a multilateral negotiation round is on
3. the country participated into a GATT/ WTO dispute
4. and was not satisfied with the outcome of the dispute

Generally, regional agreements "are officially sanctioned – but conditional – exceptions to the GATT`s rules on nondiscrimination." (World Bank 2000: 106) Regional agreements give states more bargaining power during the negotiations rounds as well as an "insurance against the emergence of conditions within GATT/WTO that could threaten their economic interests." (Mansfield/ Reinhardt 2003: 830)

Until the Uruguay negotiation rounds, developing countries were more or less observers and took advantage of the "free rider" effect. The reduction in trade barriers among the developed countries lead to special and differential treatment, "both through the Generalized System of Preferences and through the automaticity with which the balance of payments exception was used to permit them to continue reliance upon quantitative restrictions and other protectionist measures." (Krueger 1999: 909) Similarly, Mansfield and Reinhardt argue that developing countries in the multilateral negotiations create complications in so far as trade barriers should be removed but "have long been the sacred cows of protectionist interests in the advanced industrial states." (Mansfield/ Reinhardt 2003: 839) Despite this, the participation also has intensified the North – South gap on different standards such as intellectual property, environment and labor. (Mansfield/ Reinhardt 2003: 839)

The achieved agreements of the Uruguay Round covered the following sectors: agriculture, services, intellectual property rights, government support for industry, anti – dumping, dispute settlement, safeguards, subsidies, countervailing measures, trade – related investment measures, and the establishment of the new WTO. (African Development Bank 2000: 110) Taking agriculture into account has given participating countries new perspectives, especially developing countries, as they predominantly trade with these particular kinds of products.

In the next negotiation round, termed the Seattle round, developing countries seemed even more interested to promote regional agreements as the most favored nation clause strengthens countries with less bargaining power, whereby as no country is allowed to make concessions to one country which it does not make to all other WTO countries as well. (World Bank 2000: 116) As a result, it is based on the principle of non-discrimination and is seen as one of the central pillars of the multilateral trading system. (Saggi/ Yildiz 1995: 243) Therefore, the existence of this pillar "[i]s perhaps the key distinction between multilateral and preferential trade agreements, which, by their very nature, allow countries to discriminate by offering better terms of market access (usually free trade) to the members of the PTA, than are offered to non-members." (Bown 2004: 679)

The last negotiation round of the WTO members was the Doha Round[7] in 2001. There the perspectives for developing countries were even better, because in this round the WTO members agreed that developing countries have special rights which give developed countries of the WTO the possibility to treat developing countries more favorably. "These special provisions include, for example, longer time periods for implementing Agreements and commitments or measures to increase trading opportunities for developing countries." (WTO 2011e)

7 „Its aim is to achieve major reform of the international trading system through the introduction of lower trade barriers and other trade measures. The work programme covers about 20 areas of trade. The Round is also known semi-officially as the Doha Development Agenda as a fundamental objective is to improve the trading prospects of developing countries." (WTO 2011f)

2.3. Regional Integration in Africa

„Africa will be regional or not at all…“ (Edgard Pisani)[8]

Since regional integration is an important process in internal as well as in international politics and can be observed frequently in different parts of the world, developing countries are even encouraged to open their economies, in the sense of trade unions, to improve economic growth. (African Development Bank 2000: 109) The Economic Commission for Africa (2002) even argued that "regional integration can help countries to diversify their economies and reverse deindustrialisation and marginalization", even though several studies gained dissenting results about the impact of RTAs. (Musila 2005: 118) Bach writes that the regionalization process in Sub-Saharan Africa results "from the exploitation of boundary disparities and distortions on rent-seeking basis." (Bach 1999: 8) Onimode states that regional integration is especially important for the African continent, because "the unfolding mega-trends of the world system have transformed African cooperation from a regional necessity into a continental imperative – the urgent strategic basis for the corporate survival of the African economy." (Onimode quoted as in Rugumamu 2004: 1) Another opinion sees the reason for regional integration in Africa as the following: „since independence, African leaders have seen regional integration and cooperation (RIC) as a way to replace links with former colonial countries.“ (Laporte 1995: 67) Similar Bods sees a motivation for regional agreements in Africa in the movement of Panafricanism and former colonial structures. (Bods 2001: 29)

Regional integration agreements are not a new phenomenon to Africa, as it already could register its first regional agreement in 1910, namely the SACU, which was similar to proceeding regional trade agreements motivated by the desire to foster growth, especially for landlocked countries with hardly any infrastructure. (Yang/ Gupta 2007: 400) This issue even more dominated African politics since the wave of independence in the 1950ies and 60ies. "One view strongly held by Kwame Nkrumah (Ghana) as well as Modibo Keita (Mali), Sekou Toure (Guinea) and Cheikh Diop (Senegal) promoted continental union as the most effective vehicle for the transformation of Africa." (Nyirabu 2004: 21) However, integration did not seem to help Africa to cope with ongoing globalization as "African integration ideals have been based on lofty transcontinental ambitions, evocative political slogans, a plethora of

8 Edgard Pisani was former commissioner for development of the European Community (CEC 1991: 1)

treaties and regional institutions, high-minded principles, and protectionist proclivities." (Mistry 2000: 554)
As the phases of economic growth in Africa from the post-independence phase until 1999 were observed by the African Development Bank, it seems reasonable for African countries to be members of an integration agreement. In the phase of 1965-1973, a rapid economic growth was observed, which has halted by the oil shock in 1974. In the next phase, which spans the years 1973-1980, was characterized by the adjustments to the first oil shock. From 1980-1985, adjustments to the second oil price shock could again be observed, as well as other external shocks which were present at that time, including high world interest rates. The next phase from 1986-1995 was the period of SAPs. From 1995-1999, the Asian financial crisis led to a sharp fall in commodity prices. (African Development Bank 2000: 12)

Generally, it was observed that worldwide many efforts since World War II towards regional integration processes have been made. One of the most successful processes is the European Union. During the decades of existence, the EU has reached a high level of integration which implicates "the widening and deepening of communities relations and policies." (Clark 1996: 55) A very important aspect when analyzing the EU is its economic integration since it is very distinctive. In literature there are several models which explain why economic integration, takes place. One is the "Big Bang Model" which assumes that reasons such as political development, military conflict lead to formations of unions, for example the United States or Germany. Another model is the "Hub-and-Spoke Model" which "is centered on the integration of the smaller countries with the major country, while the spokes are decoupled from one another." (Clark 1996: 67f)

The GATT and the WTO notified a total amount of 194 agreements in 2000 from which 87 (over 44%) have come up since 1990. (World Bank 2000: 1) In May 2011 the organization counted some 489 regional trade agreements, counting goods and services notifications separately. "Of these, 358 RTAs were notified under Article XXIV of the GATT 1947 or GATT 1994; 36 under the Enabling Clause; and 95 under Article V of the GATT. At that same date, 297 agreements were in force." (WTO 2011d) In the new wave of regional integration schemes three major developments can be observed (World Bank 2000: 1ff):

1. Regional integration is particular deep reflected by trade barriers which go beyond the traditional barriers of reduced tariffs and quotas, including the implication of the free

flow of goods, services, investments, etc. This approach could be observed first in the Single Market Program of the EU which might involve adjustment in the area of product standards and of the fiscal system, at least in part.

2. “The new wave of regional agreements -including resurrection of some old agreements- has generally been more outward-looking, and more committed to boosting, rather than controlling, international commerce.”
3. Moreover, it can be observed that trading blocs are formed with high-income and developing countries bolster the economies of all member countries.

These major developments indicate that political as well as economic effects, should be considered at analyzing the new wave of regionalism in the 1990s, as the emergence of the regional trade agreements have “occurred against the backdrop of increasing regionalism worldwide and the stalled Doha Round of multilateral trade negotiations.” (Yang/ Gupta 2007: 400) However, the World Bank discovered that trade blocs in Africa would negotiate more effectively, if countries “would be able to grant more concessions and thus cut more beneficial deals than it has done to date.” (World Bank 2000: 20) It seems that in Africa, economic integration has been on a zig-zag course, which has hardly reached any goals. (Clark 1996: 2)

It can be observed that the integration process in Africa follows similar schemes and that there are also two waves towards integration processes in Africa since the post-independence period. The first wave took place in the 1960ies and early 1970ies during the independence process. In this period, next to ECOWAS in the West African region, the CEAO was established in 1972 (former UDEAO) and was then replaced by the UEMOA, and the MRU which was established in 1973. Their main goal was “the liberalization of intracommunity trade and related forms of cooperation.” (Bundu 1997: 31) Oman sees this time period as largely unsuccessfully for developing countries because they tried to “substitute for stronger ties with the North, rather than as a complement as in the case today.” (Oman 1994: 14) The first wave was also highly characterized by protectionism which “become entrenched, rather than being an essential but transient expedient for achieving efficiency and competitiveness.” (Mistry 2000: 557) However, it could be observed worldwide that the first wave promoted economic and political reforms within preferential trade agreements and therefore, promoted opening markets and democracy in the following wave of regionalism. (Mansfield/ Milner 1999: 606)

2.3.1. The "Abuja Treaty"

The signing of the "Abuja Treaty" of the AEC in 1991 can be seen as the beginning of the second wave in Africa. (Kennes 1999: 27) However, before this treaty was signed to create the AEC, the three regional agreements COMESA, ECOWAS, and ECCAS were supposed to be the framework of an African Common Market which should have been the precursor of the AEC. (Ott 2008: 2) Therefore, this paper analyzes this treaty more closely as it had a greater influence on the "Treaty Revised" of ECOWAS. The AEC should build upon the already existing sub-regional unions AMU, COMESA, ECOWAS, ECCAS, IGAD, and SADC over a period of 34 years and force integration in Africa. (Kennes 1999: 31) It is a "bottom-up" integration process to develop a continent-wide single market. (Musila 2005: 120) However, the build up of these unions seemed to be especially problematic, as there exist multiple obstacles to reach improvements in integration. Despite this, the formation of regional economic cooperation arrangements served to provide the foundatiom for the planned AEC. This regionalism is supposed to advance political unity at pan-African level and to enhance economic growth and development. (United Nations 2009: 1) In Article six, the treaty provides a flexible step-by-step plan with six steps to achieve economic integration for the members. This plan should succeed within thirty-four years. The steps are defined as follows:

In the first stage - if none existing - community regions should be established within five years from the date of coming into force of the treaty. At the next stage, the focus lies within the liberalization of Intra-African trade through the stabilization of tariff barriers, non-tariff barriers, and customs duties. Furthermore, the strengthening of sectorial integration at the regional, as well as at the continental level in all areas of activity, remained paramount, as well as coordination and harmonization of activities of the communities. At the third stage, which covers a time frame of ten years, a free trade area is planned to be established and "to be merged in the following two years (during the fourth stage) into a regional customs union." (Rugumamu 2004: 3) In the next stage, the main goal is to establish an African Common Market within four years through different measures, as for example through the harmonization of monetary, financial and fiscal policies. The sixth stage is expected to be developed within five years. The goal is the establishment of a pan-African economic community with an African parliament, "wherein the economic sectors will be integrated, and an economic and monetary union will be established along with the African Monetary Fund, an African Central Bank, and a common currency." (Ragumamu 2004: 3; Economic Commission for Africa 2002)

Furthermore, this treaty "was meant to implement the Lagos Plan of Action of 1980 and the Final Act of Lagos of 1980, which laid down the base that the African continent should take to realize its economic integration and operations, such as self-sustaining and endogenous economic development after the year 2000." (Clark 1996: 128) It is also the first treaty of its kind which also "stipulates a comprehensive list of principles to guide the conduct of member-states." (Ragumamu 2004: 3)

Critical voices, such as from Bensah Jr, a Ghanaian journalist, who stated in his blog an interesting aspect as he believes even though after the six steps, if fully carried out, "the reality to be very different by 2020. As RECs gain prestige in their comparative advantages of peace/conflict management; infrastructure, etc, they would be wont to (sic!) maintain themselves as legal personalities in their own right, and not necessarily want to subsume their staff and competencies under one sub-regional economic community!" (Benash 2010)

However, before the AEC treaty was drafted, there was hardly any analysis of the problems and main points as to why regional integration does not work in the region. (Bundu 1997: 29) This treaty also shows weakness toward the integration process, as it has

> "[…] a rigid timetable for a long-term development objective. The Treaty specifies the time frame of each phase up to the year 2025, which is totally impractical. The process of programming and planning a continental project is likely to be very difficult at best and almost impossible in the uncertain African context. In an environment of frequent civil wars, disintegration tendencies within states and societies, persistent structural disequilibria, pervasive poverty and crippling debt, rigid timetables are, to say the least, unrealistic. Going by past experience, the ambitious objectives of the Treaty seem to be far beyond the capabilities of the African continent." (Ragumamu 2004: 4)

In this context it is interesting to observe "the multitude of regional integration" (United Nations 2009: 11) typically in Africa. This means that many countries are not only members of one integration bloc, but two, or three, and in the case of the Democratic Republic of Congo, the country is even in four different integration unions. The reason for this seems to be either to accelerate integration or to maximize the benefits and minimize the risks which arise with integration; however, this might be a difficult task for the government to handle with diverse policies and different agendas. (Economic Commission for Africa 2004: 3) As Yang and Gupta state in their article, Africa has more than 30 regional trade arrangements where some are part of deeper regional integration schemes. (Yang/ Gupta 2007: 399) Ott refers in his work to Buchanan who formulated the theory of clubs, which sees regional arrangements as clubs, with “the club good” and the group “membership”. (Ott 2008: 3) In the case of the African continent, the main objective whilst forming a club is economic integration, which in turn should lead to economic growth and prosperity. Additionally, the size of the group is important, as distribution of benefits and the costs of excluding an extra member have to be considered. (Ott 2008: 4) Other reasons which the Economic Commission for Africa later identifies as positive features for developing countries to join regional integration arrangements, are the bargaining power in the world market and more favorable terms in trade. However, each country is in fact allowed to apply for a regional agreement, but the price to enter is specific for each country. “This can lead to asymmetric agreements in which benefits to developing country candidates are reduced and possibly appropriated by existing members through side conditions on issues such as the environment, labor regulations, and rules of origin.” (World Bank 2000: 100)

Njinkeu and Fosso introduced in their paper a plan for action which is supposed to stimulate intra-regional trade in Africa to foster development. This plan contains four points (Njinkeu/ Fosso 2006: 25ff):

1. In regional agreements, governments should only make commitments, which can be honored and are taken seriously by the private sector.

2. Creating dynamic regional markets by deepened policy reforms at both, the national and regional level. Therefore, the regional integration process needs to merge macroeconomic policies to build a stable framework to create an open bloc for trade and foster development. They suggest using the EPAs as framework for pushing liberalization process.

3. The use of internationally accepted rules, such as those provided by the WTO, to further develop the process of regional integration. “African countries should therefore give priority to rules of origin that fosters the emergence of the AEC as well as participate actively in the international standards organizations and the WTO.”

4. The last suggestion is to address core problems of competitiveness, for example infrastructure problems and institutional deficits.

Noticeably, if regional integration is working and the conflictual process can be overcome, Igue and Schumacher state that this leads to economic interdependency between areas which are present in the forms of merchandise flows, capital flows, and population flux. Moreover, touch points in terms of convergence, trade, and financial indicators can be observed, as well as, local actors, who establish regional projects together. Finally, "[c]oordination, harmonization, if possible, unification of economic policy that involves transfers of sovereignty and implementing institutional structures." (Igue/ Schumacher 2003: 16) It is observed that institutional density varies among the arrangements which can be compared within three dimensions (Grieco after Mansfield/ Milner 1999: 617): "(1) the locus of institutionalization, (2) the scope of activity, and (3) the level of institutional authority."

Analysts who are against the multiple memberships argue that this puts enormous strain on the governments to cope with the diverse agendas and demands of the different unions. Opponents to this view however think that exactly this variety gives countries "the leeway to pursue fast track agendas or to maximize their benefits and minimize their losses by not banking their expectations in only one bloc." (Economic Commission for Africa 2004: 54)

2.3.2. "The "Treaty Revised"

The "Treaty Revised" of ECOWAS in 1993 can be seen as a political action of ECOWAS in the second wave of regionalism to strengthen the union which has had so far led a *Rip Van Winkle sleep*. The original Treaty of ECOWAS is classified in the first wave, as it was founded in 1975 by 15 states[9] in West Africa (ECOWAS 2007) and became effectively operational in 1978 (Ojo 1999: 119) Within the members of ECOWAS, 11 members are currently classified as LDCs by the UN (2011). Additionally, many of them are landlocked countries which are to be considered in the debate of integration and trade. (UN-OHRLLS 2011) The booming interest in regional integration in the 1990ies seems to be driven by the success of the EC, which reflects the need and the benefits of being a member of a unity in the context of globalization as well as the challenges of the competitive world market. (Lavergne 1997: 3) Further arguments for the development of the integration process are the formation of the ECOMOG, "der Verabschiedung von Protokollen zur Errichtung eines regionalen Gerichtshofs 1991 und einer regionalen parlamentarischen Versammlung 1994; sowie in der Akzeptanz des sogenannten fast track approach im Jahre 1999, dessen Hauptergebnis bisher die Selbstverpflichtung Ghanas und Nigerias ist, bis zum Jahr 2003 eine Währungsunion zu bilden." (Mair 2000: 17)

However, the problems of West Africa's countries seem to be that they are "(…) characterised by weak trade and ineffective entrepreneurs as well as non-integration." (Igue/ Schumacher 2003: 15) Additionally, border lines of the former times of colonialism are extremely critical, as they do not consider socio-historical and social-cultural geography, notwithstanding the dynamic cross-border population. (Igue/ Schumacher 2003: 15) Yang and Gupta also found out that especially in West Africa non-tariff barriers are not being eliminated but are instead increasing due to "unofficial fees at border crossings, administrative delays at ports, cumbersome custom formalities, and multiple interstate checkpoints and roadblocks". (Yang/ Gupta 2007: 403) This naturally leads to less economic benefits of regional trade agreements.

In 1993, in the "Dakar Conference on Regional Integration in West Africa", several scholars reflected on the regional integration process in Western Africa sofar. (Lavergne 1997: 1) During this conference, Abass Bundu former executive secretary of ECOWAS, submitted a

9 Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea – Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo, (Mauretania – former member of ECOWAS)

paper which analyzed the problems of the integration process at ECOWAS. He concluded that the following problems are hindering the process (Bundu 1997: 29):

1. the absence of an integration culture and, indeed, a development culture generally, in the countries within the region
2. the priority given to nation-building in the years following independence
3. differences in ideology and approach
4. the fear of domination by Nigeria
5. the burden of certain institutional and economic structures inherited from the colonial era
6. the economic crisis that has plagued the region since the early 1980ies
7. political instability

Also, Demba Thiam analyzed the problem of integration in West Africa, and ascertained that the weakness of regional programs in this area is due to the lack of fitting strategies to build up regional spaces, and therefore hindering open trade for regional economic operators. (Demba Thiam 2003: 100)

2.3.3. Failure of the Integration Process in Africa

Laporte distinguishes in his paper three main views regarding the development of regional integration in Africa (Laporte 1995: 68f):

1. Regional arrangements have much to offer when African countries are emerging from a crisis and going through a transformation process.

2. No matter what the economic situation in a country is, to be a member in a regional arrangement suggests a longer – term of sustainable development which also could be observed in the EU, NAFTA, and MERCOSUR. It must therefore lead to accelerated cooperation and integration processes to compete in the world market. The first step was taken by the "Abuja Treaty" in 1991.

3. Pressure from outside countries is often integrated into a regional arrangement, despite present domestic problems, which are especially prevalent in periods of economic weakness.

Bods sees another cause in the failure of the integration process in Africa, as barter trade not only dominates the informal market but also on official levels. For example, Namibia has exchanged beef for Iranian oil, whilst Rwanda has traded bananas for computers. However, this fact is not considered in the plans and actions of regional agreements. (Bods 2001: 35)

Van den Boom identifies different reasons for the development of the informal sector in the ECOWAS region. Firstly, there is greater population growth in relation to economic growth. Secondly, there exists an enormous trend towards urbanization, which is due to a rural exodus. Thirdly, a new scope and quality of economic growth is to be considered with the emergence of the informal sector. (Van den Boom 1996: 53)

Mistry states in his analysis "that treaties and regional institutions do not necessarily result in integration" (Mistry 2000: 561), which is often observed in Africa's integration processes. He further on cites micro as well macro reasons as to why regional integration schemes in Africa failed between 1965 and 1995. Therefore, he suggests new prerequisites so that integration will work out in the second wave.[10] He suggests that instead of focusing on trade issues and

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10 For detailed description of the micro and macroreasons for the failed integration process in Africa, as well as the new prerequisites see Mistry 2000: 558ff.

immediate market integration, countries should prioritize on investment co-operation, co-ordination, and harmonization to reach market integration. (Mistry 2000: 571)

It was observed that regional agreements in Africa which have a higher intraregional trade and closer trading tie have the ability to address issues beyond trade, and are more likely to intervene in conflict situations. The most popular example is ECOWAS, as they committed troops to Sierra Leone during the civil war. (Yang/ Gupta 2007: 414)

As the “low share of intra-trade is thought to be evidence of failure” (Kennes 1999: 29), this paper aims to take a closer look at whether, the “Treaty Revised” of ECOWAS can be seen as a new inception for the participating Western African States and a beginning towards a new dimension of intra-trade. One of this papers focal points is to look if Nigeria could fulfill the conditions to become more independent from its Northern trading partners and increase its trade with the other members of ECOWAS. An analysis of the trade performance of Nigeria ten years before and ten years after the “Treaty Revised” will be undertaken.

Despite this, several studies have found out that the failure of a low share of intra-trade in this region comes from a general failure of the countries to abolish or reduce trade barriers because this would not fit with their import substitution policies. The countries therefore fear loss of tariff revenues. Furthermore, as the trading structure of the major part of the countries is dominated by primary commodities, it seems obvious that they wouldn’t trade with each other. (Oyejide 1996: 8) Even though, trade is very low in this region, official statistics usually underestimate the rate. In fact, it is suggested that it is three times higher than the official statistics. (Demba Thiam 2003: 100) Yang and Gupta even state in their article that regional agreements have had hardly any impact on the intra African trade so far. (Yang/ Gupta 2007: 406) Additionally, they argue that even if regional trade agreements have increased intra-Africa trade, they did not improve welfare as Viners concept suggested. (Yang/ Gupta 2007: 413)

Furthermore, Yeats argues that regional agreements will not help to overcome problems of trade which is non-complementarity, especially within small domestic markets. He concludes that regional trade agreements even seem to be a “lose-lose” situation for Africa. (Yeats 2004)

In the special case of ECOWAS, Mair sees in his analysis the failure of the agreement in the time before the "Treaty Revised", due to (Mair 2000: 14ff)[11]:

- the deep divide between the anglo –and francophone states within the region
- competing hegemonic claims between Nigeria and the francophone states of West Africa, whose preferences were supported by France, as a strong dependence between the former colonialist states and France still existed
- the economic mismanagement of Nigeria during the oil boom in the 1980ies
- the political instability within the states, as many military coups have been observed in the region
- the lack of management to control states' territory due to the lack of legitimacy of the government and the lack of strong institutions
- the lack of economic diversity and a prosperity gap between the states as the majority of the ECOWAS members cannot as yet be considered industrially developed

Bods further states for the general failure of ECOWAS that the relevant political decisions which have been agreed on regional level, are not necessarily implemented nationally, due to lack of political will. Similarly he sees the different structures of the member's economies as well as the economic, cultural, political, and the ideological differences as an obstacle for successful integration. Therefore, ECOWAS is perceived on the international stage as a "dead letter office". (Bods 2001: 31) Further on, he states that "if Africa is not regionalised it will be further marginalized." (Bods 2001: 38)

11 for a more detailed analyses, it is suggest that the reader look at this paper, as only a very short summary of the points given by Mair is provided

3. Abstract of the History of ECOWAS and Nigeria

To understand the context of the results of the forthcoming model, it is important to obtain a deeper insight into the function and the history of the regional agreement ECOWAS, of Nigeria, and also of its economy. However, the emphasis will be on a specific timeframe, which is clarified later.

All the countries within ECOWAS were under French, Portuguese, or British authority, except Liberia, which was created in 1821 by the US for freed slaves. The West African States as such were receiving increased interest for the former colonial powers since their independence, especially due to their raw materials. (Rönnbäck 2008: 1) Rönnbäck later states that the region was becoming strategically interesting for several external actors, especially Nigeria, as it is one of the biggest petroleum – producer countries in Africa and one of the top ten in the World.

3.1. ECOWAS

The idea to establish a regional union in West Africa already existed in 1964 and was then suggested by Liberia's president William Tubmann. Finally, in 1965, Côte d'Ivoire, Guinea, Liberia and Sierra Leone signed a treaty, which unfortunately did not have any lasting effect. In this pre-phase of the establishment of ECOWAS, the UNECA (acting an instrument of the ECA) played a vital role in the development of the integration process in Africa, especially within the West African States. UNECA was acting in the background during the execution and implementation of the ECOWAS agreement. (Gans 2006: 26)

The idea didn't perish and in 1972 the former Nigerian President General Gowon and the former president of Togo, Eyadema, once again seized the idea of the union. However, their undertaking seemed to be doomed due to the CEAO. This organization was established from the francophone states in West Africa with the great support of the former president of France Georges Pompidou in 1959. This union was the greatest competition of ECOWAS till its end in 1994 and was also seen as a counterpart to the dominant Nigerian State in this region. (Gans 2006: 32) The formation of CEAO was seen by Nigeria as an attempt to limit the influence of Nigeria within the region as it gained a lot of influence through the oil boom in the 1970ies. (van den Boom 1996: 57)

Van den Boom analyzed the following reasons why Nigeria, Togo and the francophone states finally gave in to the formation of ECOWAS (van den Boom 1996: 57):

1. In Benin and Niger new regimes gained power. Those were positively disposed to Nigeria, and through the positive commitment to Nigeria, they managed to distance themselves from France.

2. Côte d'Ivoire and Senegal saw several reason to cooperate with Nigeria instead of acting against it.

3. Nigeria represented the viewpoint and the interest of the African states and was very convincing in the AKP – EU negotiations. They were therefore highly respected by the other states and emerged a feeling of solidarity.

After repeated meetings of the States in Western Africa, a draft treaty was established in 1973. After several meetings, whereby experts and jurists further examined the treaty, 15 West African States, namely Benin, Burkina Faso, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauretania, Niger, Nigeria, Senegal, Sierra Leone, and Togo, finally signed the "Treaty of Lagos" for an Economic Community of West African States on the 28th May 1975.

The head of the Nigerian State, General Yakubu Gowon held the following speech to the other Heads of States on the future ECOWAS States in May, 1975:

> "This is a momentous day, marking as it does the fulfilment of many hopes: the result of efforts on the part of the leaders from all corners of West Africa: another major and concrete step in giving practical effect to the aspirations which we all share and which, in various previous meetings, conferences and groups, we have all endeavoured since the beginning of the last decade, to bring to fruition… The Economic Community which we are striving to establish will be a living organism evolving in its own unique way and growing over the years." (Gowon citied after Gans 2006: 1)

The protocols, which were launching the new community, were signed in Lóme (Togo) in November 1976. (AU 2010: 2) In 1977, Cap Verde also entered ECOWAS. The motivation behind to create the regional agreement were political as well as economic reasons:

> "Politically, the founding of ECOWAS meant the early development of co-operation, but it was also motivated by an ideology of South-South co-operation, regionalism, collective solidarity and factors related to peace and security. Regional cooperation was seen as important for the fragile, newly independent states.

(…) Market integration based on liberal economic development strategies was an important driving force behind the economic policies and instruments (…).” (Rönnbäck 2008: 13)

All of the members of the ECOWAS have similarities with respect to their political structure. For example, the majority has had military regimes and therefore was quite unstable. Likewise, as many coups and regime changes have occurred in the member states so naturally, the progress of the work of the regional agreement was hindered. (van den Boom 1996: 25ff) Later on, 12 of the 15 member states were or are still affected by wars and violence conflicts since their independence. More than 35 armed groups have since 1998 been operating in, and destabilizing, the majority of the 15 ECOWAS member states which also has had consequences on the political performance of the countries. (Rönnbäck 2008: 10)

Another important aspect in order to understand the performance of ECOWAS is the influence of the former colonial states as they continued to play still an important role after independence of the former colonies. Four states belonged to the former British Empire, eight countries were under the colonial rule of France and two under Portuguese rule. Only one country, namely Liberia, was already independent at the independence process. Even though the countries were independent colonial powers still tried to influence their former colonies by modern ways of commitments. France had even defined political, economic and military cooperation, and also motivated the former French colonies to establish the CEAO, the later UEOMA. (Rönnbäck 2008: 12)

The end of the Cold War in 1989 and the transformation process which started in the former Eastern bloc countries, has also influenced the African continent, as many political autocratic systems fell. This time was called the second “Wind of Change”. However the change did not last long, as many military regimes and dictators regained power. (van den Boom 1996: 42) Following this, van den Boom analyzed that the continually change of power of the ECOWAS members influences the regional agreement as such because (van den Boom 1996: 45):

- The government is binding political resources within the country and therefore does not have enough resources to be politically active in ECOWAS.

- Many political systems of the member states were (are) political unstable and so it is difficult to assess foreign policy and the attitude towards the integration process of ECOWAS.

For a better understanding of the integration process among ECOWAS, one should also consider that the majority of the member states are dependent on the export of primary products. Since the formation of ECOWAS, the market prices for primary products fluctuated and the payment behavior of the states fluctuated as well. Unfortunately, without the membership fees ECOWAS was hindered in acting to its full extend and the integration process stagnated. (van den Boom 1996: 46)

Another historical aspect in the context of ECOWAS is the intervention of the Worldbank and IMF and their structural adjustment programs especially in 1970ies and 80ies to restructure foreign debts. These interventions have had a great impact for the affected ECOWAS states in the political and economic level. In many of the states the structural adjustment programs did not take effect and the debt crisis intensified. (van den Boom 1996: 48ff)

The “Treaty Revised” was signed in 1993 by all ECOWAS members “to accelerate economic integration and to increase political co-operation” (Rönnbäck 2008: 13) and defined common goals to achieve a common market and a single currency.

ECOWAS was also the first regional agreement which developed a security mechanism, namely ECOMOG to intervene in armed conflicts, as well as in military conflicts since the 1990ies. It was established to stabilize the political situation within ECOWAS and it is also seen as a complement to the UN peacekeeping troops. Bods further argues that ECOMOG was rather founded to “protect and preserve the political elites and their regimes.” (Bods 2001: 34) However, financial problems and poorly educated forces are hindering the success of ECOMOG. (Rönnbäck 2008: 2)

Additionally and interestingly for the forthcoming econometric analysis is the fact that ECOWAS decided in the 1990ies to eliminate trade barriers. The plan has foreseen different time approximations to anticipate liberalization. The strongest economic countries were supposed to eliminate barriers within six years, with the rest of the member states within eight or ten years. (van den Boom 1996: 62)

In 2000 ECOWAS formulated an agreement that allowed different pace and „eine variable Geometrie bei der Vertiefung der Integration zuzulassen. Das bedeutet nichts anderes, als daß eine Gruppe von Mitgliedsstaaten auf freiwilliger Basis Integrationsanstrengungen vorantreiben kann, ohne auf die Zögerlichen warten zu müssen.“ (Mair 2000: 13)

3.1.1. ECOWAS and its Organizational Structure

The organizational structure is recorded in article 6 of the “treaty revisited” (ECOWAS 2007b):

“1. The Institutions of the Community shall be:

(a) the Authority of Heads of State and Government;

(b) the Council of Ministers;

(c) the Community Parliament;

(d) the Economic and Social Council;

(e) the Community Court of Justice;

(f) the Executive Secretariat;

(g) the Fund for Cooperation, Compensation and Development;

(h) Specialised Technical Commissions; and

(i) Any other institutions that may be established by the Authority.

2. The Institutions of the Community shall perform their functions and act within the limits of the powers conferred on them by this Treaty and by the Protocols relating thereto.”

The Council of Ministers, as well as the Community Parliament and the Community Court of Justice have their headquarters in Abuja (Nigeria). (Auswärtiges Amt Deutschland 2012)

The authority of Heads of State and Government of Member States is, as the name already implicates, composed of the members’ Head of States or rather the Government of the State and is the supreme institution of the ECOWAS. “The Authority shall be responsible for the general direction and control of the Community and shall take all measures to ensure its progressive development and the realisation of its objectives.” (ECOWAS 2007b) The further duties and rights of this organ are mainly regulated in article 7, 8, and 9 of the “Treaty Revised”.

The second important organ is the Council of Ministers. This organ is the main arbitration of the Community and “is responsible for the functioning and development of the Community”.

(ECOWAS 2007b) Due to the “Treaty Revised”, the Council obtained a more active role in the decision making process than before. However, the most important task of the council is to foster the integration process and the supervision and guidance of the trade liberalization within ECOWAS. (Gans 2006: 56f)

In the Executive Secretariat, the Executive Secretary holds the Presidency. The election of the Executive Secretary occurs and results in a four years term, which can only be renewed once. The main task is the every-day administrative management. (Gans 2006: 61) The approval of the restructuring of the Executive Secretariat was in the summit of December 1999. The undergoing reform process of ECOWAS could be seen by the removal of the post of financial controller, “while two positions of deputy executive secretaries have been created for economic co-operation and policy harmonisation respectively.” (African Union 2010: 4)

The Community Court of Justice “will address complaints from member states and institutions of ECOWAS, as well as issues relating to defaulting nations.” (African Union 2010: 5) Article 15 of the Treaty bounds the Court of Justice that it “shall carry out the functions assigned to it independently of the Member States and the institutions of the Community” and “judgements of the Court of Justice shall be binding on the Member States, the Institutions of the Community and on individuals and corporate bodies.” (ECOWAS 2007)

The Community Parliament was first established with the “Revised Treaty” to involve the population of ECOWAS directly within the integration process, however, it only has a consultative and advisory function at prsent. It was firstly convened in May 2002 and it has 115 seats which represent all member states. Each state has at least five seats. (African Union 2010: 5)

The Economic and Social Council is regulated with additional protocols and was founded through the Treaty of Contonou, which shows similarities with the Economic and Social Committee of the EU. It only provides a consultative role and consists of representatives of different economic and social subjects. (Gans 2006: 75)

The Fund for Cooperation, Compensation and Development was established because within the integration process member states often suffer losses in the term of state revenues. The Fund should therefore provide compensation payment due to trade liberalization and also to help member states to execute feasibility studies and projects to loss compensation. (Gans 2006: 75ff)

The specialised Technical Commissions main objectives are to support the Council of Ministers and the authority of Heads of State and Government at decision-making processes. (Gans 2006: 80) The Authority establishes or restructures the Commissions, whenever it seems appropriate. “Each commission shall comprise representatives of each Member State. Each Commission may, as it deems necessary, set up subsidiary commissions to assist it in carrying out its work. It shall determine the composition of any such subsidiary commission.” (Afican Union 2010: 5) The following commissions have been established so far, for supporting the ECOWAS organs (ECOWAS 2007):

- Food and Agriculture
- Industry, Science and Technology and Energy
- Environment and Natural Resources
- Transport, Communications and Tourism
- Trade, Customs, Taxation, Statistics, Money and Payments
- Political, Judicial and Legal Affairs, Regional Security and Immigration
- Human Resources, Information, Social and Cultural Affairs
- Administration and Finance Commission

3.1.2. GOALS

The initial aims of the regional agreement ECOWAS was to establish a custom union and later on a common market by integrating all members. (Aryeetey 1998: 404) However, as infrastructure for this undertaking was not present, the member states decided to focus on development and production first. (Clark 1996: 156)

As a result, the community focused on certain goals to achieve. One of the highlights was in 1981, when the total elimination of trade barriers on unprocessed goods was agreed upon. (Clark 1996: 178) However, the ultimate goal according to Rönnbäck seems to be that "ECOWAS is to promote cooperation and integration, with the establishment of a West African economic union." (Rönnbäck 2008: 12)

The "Treaty Revised" led to an extension of the already existing objectives in the economic and political co-operation among the member states of ECOWAS. The economic goal is to achieve a common market and a single currency, while on the political level "it provides for a West African parliament, an economic and social council and an ECOWAS court of justice to replace the existing Tribunal and enforce Community decisions." (African Union 2010: 2) Moreover, the treaty also requests the member states for more responsibility "of preventing and settling regional conflicts." (African Union 2010: 2)

> "Finding ways to deal with security challenges and economic development problems are fundamental elements in any efforts to stabilize the region and to improve the living conditions for the populations." (Rönnbäck 2008: 2)

Gans also stresses that the focus since the "Cotonou Treaty" ("Treaty Revised") lies within the harmonization of areas like food, taxation, economic reform policies, human capital, education, information, tourism, health, environment, etc. Due to the many areas, ECOWAS has a greater scope of operation and the focus shifted, since it not only lies on state enterprises but also private enterprises which should foster the integration process. (Gans 2006: 46)

3.2. Nigeria – Historical Background

The Federal Research Division identifies in its country profile three important issues which still influence Nigeria's contemporary politics and society. The first is the spread of Islam, which already started around 1000BC. The second major influence was the slave trade across the country, which still has social consequences on the country today. Thirdly, the colonial experience which was relatively brief but intense. (Library of Congress 2008: 1)

Nigeria was a former British Colony and gained independence in October 1960, as a federation of three regions. (Bureau of African Affairs 2011) Each of the regions was highly self-governed. The first government of the independent country was formed by the main parties of the "Northern People's Congress" and the "National Council of Nigeria". (Rothmeyer 1991: 3) In October 1963 a fourth region was introduced, because Nigeria declared itself as a federal republic, implementing a new constitution and changing its relationship with the former colonist Great Britain. (Bureau of African Affairs 2011) "Although the first postindependence parliamentary elections were held in December 1964, the nation's leadership in the several decades following independence was determined by coup, not by election, and by military, rather than civilian, government." (Library of Congress 2008: 4)

In the end of the 1960ies the country was affected by the so-called "Biafra War", whereby the eastern region of Nigeria declared its independence as the "Republic of Biafra". This was a civilian war which ended in 1970 with a multiple deaths on both sides. "Following the civil war, reconciliation was rapid and effective, and the country turned to the task of economic development. Foreign exchange earnings and government revenues increased spectacularly with the oil price rises of 1973-74." (Bureau of African Affairs 2011) The regime of Obasanjo and Mohammed, which governed since the end of the civilian war till 1979, used their military connection to repress criticism against the government. (Falola/ Heaton 2008: 198)

The second republic lasted from 1979 until 1983. It was marked by an election where five newly structured parties competed against each other. It was a peaceful power of transfer and connected with high expectation as the price for oil was high. As a result, revenues had been continuously increasing, but due to lack of cooperation between the ruling parties of the states, it lead to a failure of the federal government and the second republic. (Library of Congress 2008: 5) The high dependence on oil revenues and the high rate of inflation and unemployment, raised the rate of urban crime especially the smuggling of goods across the border of Benin. (Falola/ Heaton 2008: 204)

The election of 1983, in which Shagari and the NPN won with the majority of seats in the National Assembly and the governance over 12 states, was characterized by violence, corruption and electoral malfeasance. However, in the end of the year 1983 the military overthrew the Second Republic and Major Gen. Muhammadu Buhari emerged as the new leader of the Supreme Military Council and therefore as the new leader of Nigeria. Following Buharis rise to power, Nigeria faced three military rules within the next fifteen years. These were all marred by “oppression, coercion, and the manipulation of the democratic transition process.” (Falola/ Heaton 2008: 209)

Buhari accused the former government of economic mismanagement, corruption, election fraud, and the indifference of the problems of the country. He wanted to bring prosperity to Nigeria and solve the severe economic problems before returning again to civilian rule. His strategy was the ideology of “discipline”, which aimed to bring Nigeria back to the economic track by following the law and behaving in a proper manner. Additionally, he followed strict austerity measures which were introduced by the former government Shagari. (Falola/ Heaton 2008: 212) He refused to undertake a Structural Adjustment Program of the IMF which was designed to help Nigeria to reduce its debts burden. (Falola/ Heaton 2008: 216) Despite, his high popularity within the other members of the Council, he was peacefully overthrown in August 1985 by Army Chief of Staff Maj. Gen. Ibrahim Babangida, the third ranking-member of the Supreme Military Council. (Bureau of African Affairs 2011) His tactic to generate credibility for his regime was particularly interesting, as he filled some of the official positions with the harshest critics of the former president Buhari. (Falola/ Heaton 2008: 217) Under his government, Nigeria finally also adopted the Structural Adjustment Program measures, but without the IMF involvement, which allowed Nigeria to reschedule their debts and avoid the image of a beggar nation. The consequences were dramatic for the people of Nigeria as many subsidies were cancelled and basic necessities became barely affordable for the people. Additionally, the Structural Adjustment Programs failed their goal as they did not attract foreign investment to help the Nigerian economy. (Falola/ Heaton 2008: 217ff)

“Babangida moved to restore freedom of the press and to release political detainees being held without charge. As part of a 15-month economic emergency, he announced stringent pay cuts for the military, police, and civil servants, also enacting similar cuts for the private sector. Imports of rice, corn, and wheat were banned. Babangida orchestrated a national debate on proposed economic reform and recovery measures, which reportedly convinced him of intense opposition to an economic recovery package dependent on an International Monetary Fund (IMF) loan." (Bureau of African Affairs 2011)

The increased attention to religion was one of many answers of Nigerians to reply to the bad economic situation. In 1986 Nigeria entered the Organization of the Islamic Conference which consists of Muslim states with an International Body. This was highly and controversially discussed in Nigeria, as tension between Christian and Islamic organizations were already very strained. (Library of Congress 2008: 6; Falola/ Heaton 2008: 222) Finally, he was forced to shelve the membership in the Organization of the Islamic Conference due to the strong pressure of Nigeria's Christian community and his own government as he did not ask them either. The politicization of the religions lead to many riots especially in the Northern part of Nigeria. (Falola/ Heaton 2008: 222)

Finally, in 1989, the preparatory work for the constitution for the Third Republic was finished and political activity was allowed again. In April 1990, Babangida survived an attempted coup by mid-level officers. Following their failure, they were executed at the military tribunal. In December the same year, the first stage partisan elections were held which finally led to state legislative elections in December 1991. He postponed the elections as long as possible as "the dates changes were always accompanied by some crisis that resulted in a change in the transition procedure, often involving the banning of politicians or political parties." (Falola/ Heaton 2008: 225) The final elections in June 1993 were indeed peaceful but the participation was low. The winner of the election was a wealthy Yoruban businessman, Chief Abiola and the SDP, but Babangida again managed the annulment of this election. (Falola/ Heaton 2008: 227) Finally, after more than 100 people had died in riots, Babangida agreed to a caretaker government and handed power over to his friend Ernest Shonekan. This still prevented Abiola from rightfull assuming leadership of the country. However, Shonekan also could not solve the serious problems of Nigeria. Therefore, in November 1993 General Sani Abacha took over the rule, as he forced Shonekan to step down, as a military dictator of the country until his death in 1998. (Falola/ Heaton 2008: 229)

Due to the takeover of Abacha, it was hoped that he would lead the country again back to civilian rule, however he failed. His leadership was seen as a step backward as he also oppressed his opponents and the economy declined. (Falola/ Heaton 2008: 229) The consequences of his ruling were far reaching as "in 1995, as a result of various human rights violations, the European Union, which already had imposed sanctions in 1993, suspended development aid, and Nigeria was temporarily expelled from the Commonwealth." (Bureau of African Affairs 2011) In 1995, Abacha declared a 3-year transition plan to return to civilian rule, and he announced himself in 1998 to the civilian president, after a sham election. Later on it was found out that Abacha has embezzled oil revenues and transferred it to his personal account in Switzerland, which was the sum of $458 US-million. (Library of Congress 2008: 6) During his term of office, an inflation rate of 150% was created through the printing of an enormous amount of money which was accompanied with the reduction of state subsidies of oil products, such as kerosene. (Falola/ Heaton 2008: 233)

His successor General Abdulsalami Abubakar released the major part of the political prisoners and tried to decrease the incidents of human rights abuses among opponents and journalists. (Bureau of African Affairs 2011) He wanted to trace the country back to democratic structures. (Falola/ Heaton 2008: 234) As well as during Abacha and Abubakar government, the military provisional Ruling Council was the main decision-making organ and governed by decree. It "(…) was significantly impaired during the Abacha era by the military regime's arrogation of judicial power and prohibition of court review of its action. The court system continued to be hampered by corruption and lack of resources after Abacha's death." (Bureau of African Affairs 2011) To resolve this problem, Abubakar constituted different reforms. (Bureau of African Affairs 2011) Between 1998 and 1999 elections were hold. Olusegun Obasanjo, the former military head, came out ahead as a civilian candidate with 62 percent of the votes. (Falola/ Heaton 2008: 235) Under Obasanjo new reforms were implemented, for example a new constitution and the rebuilding of the institutions. He could slow down the decline of Nigeria's economic situation but he did little to enforce democratic structures. (Falola/ Heaton 2008: 235)

"Olusegun Obasanjo became the steward of a country suffering from economic stagnation and the deterioration of most of its democratic institutions. Obasanjo, a former general, was admired for his stand against the Abacha dictatorship, his record of returning the federal government to civilian rule in 1979, and his claim to represent all Nigerians regardless of religion." (Bureau of African Affairs 2011) His presidental term was the longest period of civilian rule so far in the country and highly discussed within the population of Nigeria. The economic decline was slowed but the majority of the people had to suffer through a decrease in their standard of living. (Falola/ Heaton 2008: 235)

Under the government of Obasanjo the country faced many riots due to allocation of resources and religious tension. Furthermore, in 2000, the criminal Shar'ia was implemented in several states. In 2003 Obasanjo got re-elected. Especially in the region of Niger River Delta, which is oil rich, violence has intensified since 2006. As the violence occured from both political as well as criminal motivation, Nigeria's security services could not response adequately to the problem. For all the problems Obasanjo faced during his two presidential terms, he attempted to get a third presidential term by amending the constitution, but the National Assembly defeated this. (Bureau of African Affairs 2011) Moreover, Obasanjo was the head of a group of head of states and governments in 2004 who forced the NEPAD, which is a strategy that was designed to promote the development of Africa. (Auswärtiges Amt Deutschland 2012)

New elections were therefore held in 2007 with more than 35 political parties participating. This election was marked by malfeasance and vote rigging, as well as violence.

> "However, Nigeria experienced its first transition of power between civilian administrations when President Obasanjo stepped down on May 29, 2007. Newly-elected President Umaru Yar'Adua, a respected governor from the northern state of Katsina, pledged publicly to make electoral reform, peace and security in the Niger Delta, and continued electoral reform his top priorities." (Bureau of African Affairs 2011)

Yar'Adua became very ill and flew in 2009 to a treatment to Saudi Arabia. His presidential term was therefore characterized by absence and power was handed over to the Vice President Goodluck Jonathan. He swore in a new cabinet in April 2010 and became president following the death of the former in May 2010. After the organized elections in April 2011, President Goodluck Jonathon was reelected with 59 percent of the national vote, beating his main rival Muhammadu Buhari,. (Bureau of African Affairs 2011)

3.2.1. Economy of Nigeria

Nigeria has the second largest economy in Africa, after South Africa and is the most populous country. (Auswärtiges Amt Deutschland 2011) Since the oil – boom in the 1970ies, Nigeria has neglected other parts of the economy, especially agriculture and light manufacturing and became highly dependent on its oilexports. Therefore, Nigeria's trade balance is reliant on the continual increase in oil prices. The most important trading partners of Nigeria are the US, India, the countries within the EU, Brasil, South Africa, and China. The US is the most important partner for exports, especially oil, and China is the most important import partner. (Auswärtiges Amt Deutschland 2011) Statistics show that "in 2002 oil and gas exports accounted for more than 98% of export earnings and about 83% of federal government revenue." (Bureau of African Affairs 2011) Nowadays it counts for around 40% of the GDP. (Auswärtiges Amt Deutschland 2011)

Aside from oil, Nigeria's revenue consists nowadays of the banking-, telecommunication-, and the agricultural sectors. The additional receipts of oil are administrated since May 2011 transparently and efficiently following the foundation of the "Sovereign Wealth Fund". This fund is a separate account at the central bank of Nigeria to ensure stable fiscal politics and to absorb financial crisis. (Auswärtiges Amt Deutschland 2011) Even when Nigeria's revenue from oil was very high, the country had debts totaling more than $36 billion. But "in October 2005 Nigeria and the Paris Club announced a final agreement for debt relief worth $18 billion and an overall reduction of Nigeria's debt stock by $30 billion. The deal was completed on April 21, 2006 when Nigeria made its final payment and the books were cleared of any Paris Club debt." (Center for Global Development)

Another important "pillar" of Nigeria's economy nowadays is the "informal sector", which has developed over the last couple of decades and is mainly dominated by a wide range of small-scale firms and largely self-employment activities. (Ekpo/ Umoh w.y) In 2005, this was estimated to be around 58 percent of the countries GNP. (Oshikoya 2009) The authors Ekpo and Umoh, assess the informal sector as a "significantly [contribution] to national economy in terms of output and employment. The government must encourage and empower the informal sector through the provision of conducive policy and physical conditions." (Ekpo/ Umoh w.y) One of the obstacles which hinder economic development is the poor infrastructure, especially in the electricity and transport sectors throughout the country. (Auswärtiges Amt Deutschland 2011)

Another important step, which was taken in 2006 to foster Nigeria’s development, was the foundation of the Economic and Financial Crimes Commission, whose main tasks are to combat corruption and white-collar crime. (Auswärtiges Amt Deutschland 2011)

Even though agriculture was neglected by the government and suffered from great mismanagement, poor policies, and the lack of basic infrastructure, it still counts for two-third of employment. However, the long-term investment or modern technology is not encouraged, due to the mismanagement of the land tenure system. (Bureau of African Affairs 2011) Nowadays, over 95% of the agriculture production comes from subsistence farming and the whole sector accounts for around 40% of the GDP. The growth of this sector within the last years is enormous, calculated at around 7% to 8%. The main focus lies in the cultivation of yam, maniok and cow peas. (Auswärtiges Amt Deutschland 2011)

Furthermore, Nigeria is an ACP country and therefore closely works together with the EU in the context of the Cotonou Agreement. The EDF “is the main instrument for providing Community aid for development cooperation in the ACP States and OCT.“ (EU 2007) Nigeria received €700 million from the 6th EDF to the 9th EDF, which covers the time from 1985 to 2007. The actual 10th EDF (2009 – 2013) provides Nigeria a volume of €580 million and additional €97 billion. Therefore, Nigeria receives the greatest amount of aid flows from the EU as a single country. The main focus of the cooperation lies in the promotion of „good governance“, human rights, peace and security, as well as trade and regional integration. (Auswärtiges Deutsches Amt 2012; EU 2007)

4. Econometric Analysis

In this part of the paper, an overview about the underlying theory is given, and finally, the findings of the empirical part will be presented.

4.1. Basics of Theory

4.1.1. Differences-in-Differences Estimators

The Differences-in-Differences (DID) estimation became quite popular to use to analyze causal relationships for example a specific intervention. Therefore, it measures the outcome before and after the intervention. (Bertrand et al. 2004: 249) In the forthcoming empirical analysis, the DID is estimated to measure the effects of the “Treaty Revised” on the trade flows of Nigeria defined as imports and exports.

Despite this, the application of the DID is simple and hinders problems of endogenous variables which often arise, it has its limitations in so far as it is only “appropriate when the interventions are as good as random, conditional on time and group fixed effects.” (Bertrand et al. 2004: 250) Another important fact of DID is the estimation of equation which looks like the following equation, is the serial correlation problem:

$$Y_{ist} = A_s + B_t + cX_{ist} + \beta I_{st} + \varepsilon_{ist}$$

where Y_{ist} is the outcome of interest for the individual$_i$ in group$_s$ by time$_t$ and I_{st}, constructed as a dummy variable, which gives information if the group has been affected. A_s and B_t are fixed effects for states and years. X_{ist} are relevant individual controls and ε_{ist} is the error term.

As DID estimators are usually constructed on a long time series, used explanatory variables are often highly positively serially correlated, and the fact that I_{st} hardly changes over time within a state, serial correlation needs to be considered by applying DID.

4.1.2. The „Gravity Model“

Kepaptsoglou, Karlaftis, and Tsamboulas describe in their paper the basics of the gravity model and they provide an overview of empirical studies which so far applied the gravity model (including 2009). The gravity model is mainly used for explaining international trade flows, especially when predicting effects of Free Trade Agreements (Kepaptsoglou et al. 2010: 1), and “to explain cross-sectional variation in country pairs trade flow in terms of the countries’ incomes, bilateral distance, and dummy variables for common languages, for common land borders.” (Baier/ Bergstrand 2005: 1)

The first application to analyze trade flows goes back to Tinbergen (1962) and Pöyhönen (1963). Their assumption was that the volume of trade between two countries increases their national income and decreases the distance between the economic centers of the trading partners. The basic model was than augmented by Linnemann in 1966 by adding population. Following this, other researchers added other variables, for example income per capita. (Zannou 2010: 679)

Most of the recent studies according to Kepaptsoglou et al. have focused on the effects of regional trade agreements and currency unions to analyze the divergence and convergence of trade flows. (Kepaptsoglou et al. 2010: 2) The gravity model has long been one of the most successful empirical models in economic studies, as it has produced some of the clearest and most robust empirical findings; however, “paradoxically, they have had virtually no effect on the subject of international economics.” (Anderson 2011: 1) Also, Zannou states in his paper that “the attraction towards the model was due to its features of a remarkable explanatory power of diverse economic flows and to its multiple uses.” (Zannou 2010: 679)

As the gravity model is preferential used to work on trade flow modeling, the studies have mainly focused on (Kepaptsoglou et al. 2010: 1):

- simulation models that aim at replicating that phenomenon and its impacts, and
- econometric models that attempt to design patterns to make predictions based on past, actual performance.

Zannou mentions a third research area where the gravity model is used, namely “studies establishing or testing its theoretical foundations.” (Zannou 2010: 679)

The gravity model specification is used to analyze trade flows and bases on the Newtonian physics which postulates that trade between two partners is influenced by their size and proximity. Even though the gravity model often has been criticized because of the lack of a theoretical background, it shows an "excellent empirical robustness". (Kepaptsoglou et al. 2010: 2)

Usually a panel data set is used for the econometric analysis as studies, which used only a cross sectional data set were unstable. In addition, panel data provide advantages such as the observation of individual effects between two partners. (Kepaptsoglou et al. 2010: 3)

Another important issue in the models is the dependent variable and the explanatory variables which can be mainly split up into two groups (Kepaptsoglou et al. 2010: 3):

- "factors indicating demand and supply of trading countries" which are often measured by one country's economic and market size, as well as the income level, population, area size, and GDP per capita;

- "factors representing the impedance imposed on a trade flow between countries" include all factors which affect the trade flow between partners for example tariffs, the quality of infrastructure, or remoteness, either in a positive or negative way. Other impedance factors have been incorporated into the gravity model to analyze potential barriers like for example common language, being landlocked, or participation in a regional agreement. (Kepaptsoglou et al. 2010: 9)

The most common used technique to estimate the coefficients of the gravity model is the OLS (Ordinary Least Squares) method. However, van Wincoop and Anderson have advanced the theoretical foundation of the gravity model in their paper (2003), as they used for their estimation the NLS (Non-linear least squares) model and supplied therefore evidence of border effects in trade. (Kepaptsoglou et al. 2010: 9) Baier and Bergstrand provided an alternative and also simpler way of treating multilateral resistance by applying the fixed effect model. (Kepaptsoglou et al. 2010: 9)

4.2. Empirical Analysis on the Impact of ECOWAS on Nigeria's Trading Flows

4.2.1. Materials and Methods

For the evaluation of the impacts of the ECOWAS "Treaty Revised" on the influence of the trading flows of Nigeria to ECOWAS members and the rest of the world, especially the "northern" trading partners, an augmented form of the gravity model is used a constructed DID estimator for 1993. However, as no data were reported in this year, the DID was estimated for 1991, the closest year to the "Treaty Revised".

My dataset is generated from the UN-Database "Comtrade" and the "CEPII Gravity Dataset" which is available for all world pairs of countries within the period 1948 to 2006 and was generated by Keith Head, Thierry Mayer and John Ries. (Mayer 2010) The variables which are used in the CEPII Gravity Dataset were generated from the following sources (Mayer 2010):

- Mayer et al. obtained the variables GDP and population from World Banks's Development Indicators (WDI) database. Due to missing data and changing names of countries, they complemented the data from the WDI with estimations of the population by Angus Maddison and GDP estimations from 1948 – 1992 provided by Katherine Barbieri.

- The values for RTA was constructed by three main sources, namely estimations from Baier and Bergstrand provided by them in 2007, the WTO site, and further, more qualitative data provided by Frankel in 1997. The information of GATT/ WTO membership came directly from the WTO homepage. The information on legal origins of the two countries were taken by Mayer et al. from Andrei Shleifer, whereas the information of currency unions was taken from Glick and Rose (2002).

- The information for their variables bilateral distance and official language is provided from the CEPII distance database.

4.2.2. Theoretical Model

This chapter is closely drawn on the paper of Zannou (2010) who gives a compact overview about the theoretical part of the model.

The basic form of the gravity model is log linear and does not include any restrictions on the coefficients:

$$\ln X_{ijt} = a_0 + a_t + a_{ij} + b_{ijt} Z_{ijt} + e_{ijt},\ t = 1, \dots, T$$

The variable X_{ijt} is describing the export in the year (t) of a country (i) to another country (j). z_{ijt} is the 1xk vector of the explanatory variable Z_{ijt}. The constant part of the equitation is consisting of the term a_0, a_t, and a_{ij}, where a_0 is valid for all years of the considered period and to all country pairs. a_t is only specified for a certain year but common for all countries, and a_{ij} is specified to a certain pair of countries but to all years. For the error term e_{ijt} the assumption is made of normally distribution with the mean of zero and the variance constant for all observations. Further on, it is assumed that all error terms are pair-wise not correlated. (Zannou 2010: 679)

4.3. Empirical Analysis

4.3.1. Introduction

The econometric analysis will explore the trading flows, imports and exports, of Nigeria to the rest of the world and especially to the other ECOWAS member states between the years 1983 and 2003. Unfortunately because of lack of data in the COMTRADE database, this study does not cover the years 1988, 1989, 1990, 1992, 1993, 1994, 1995, and 1997. As this database is dependent on the reports of the states, it seems Nigeria did not report any data to the UN in those years. No other dataset was used because the "Comtrade Dataset" appears to be the most comprehensive one.

Another problem which occurred by joining the Comtrade Dataset with the CEP II was that only one common variable, the ISO 3 digit code, existed. Even though it is an internationally standard code, both datasets do not always represent the same country area by the code. – For example, the "Comtrade Dataset", defined under the ISO 3 digit code USA only USA, but the "CEPII Gravity Dataset" also included Puerto Rico. Despite this both datasets were combined, with the reasoning that the effect of Puerto Rico is so small that it can be ignored. The same problems due to definitions have occurred to Belgium-Luxembourg and Belgium, Ethiopia, and Yemen. However, those countries do not seem to have a great effect on the trading flows of Nigeria, and therefore, they were deleted from the dataset.

Problems have continuously arisen with countries, which have fallen apart because of war and then joined together (reunions). Therefore, Germany was also removed from the dataset.

In the appendix, all countries are listed which are integrated into the regression analysis, either in import, and/ or export categories, as well if the countries which are members of ECOWAS.

Additional, it is worth emphasizing that not only is the dataset incomplete but also that, as mentioned before, a great part of Nigeria's economy consists of "black" market, as "a matter of fact (…) many African governments not only condone this economy on the fringe but encourage it." (Bods 2001: 34)

Estimations

Import

The first regression analyzes imports within the timespan between 1983 and 2003 (dependent variable) of Nigeria from the rest of the world. The explanatory variables are the membership of the export country in the GATT (WTO) (gatt), the area of the exporting country (area), the GDP in current million US$ (gdp), the population size of the exporter country (pop), the membership of the country within ECOWAS (ECOWAS), the fact, if the countries are neighbors (contig), and the weighted distance in km (distw).

Therefore, the OLS[12] (ordinary least squares) regression model was set up like this:

$$\Delta \text{Import}_{03\text{-}83}Y = \beta_0 + \beta\text{gatt}X_1 + \beta\text{area}X_2 + \beta_{gdp}X_3 + \beta_{pop}X_4 +$$

$$\beta_{ECOWAS}X_5 + \beta_{contig}X_6 + \beta_{distw}X_7 + \varepsilon_i$$

The variable $\Delta \text{Import}_{03\text{-}83}$ is constructed from the difference Δy_0 of the import trade flows of 1983 (y_{t0}) and 1991 (y_{t1}) and the difference Δy_1 of 1996 (y_{t2}) and 2003 (y_{t3}). Exactly, was Δy_1 constructed by the following calculation:

$$\frac{1}{8}\,\frac{(y_{t3} - y_{t2})}{y_{t2}}$$

which represents the values after the “treaty revised”. As between the timespan from 1983 till 1991, only data of 8 years were available, it was divided by ⅛ to estimate the average. Equal to this equation, Δy_0, which represents the trade flows before the treaty, was constructed by the estimation:

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[12] The OLS regression model is one of the best models to use as it allows statistical statements to be done about the estimation parameters. However, there are assumptions which have to be considered when applying OLS. A brief summary about these assumptions can for example be read in Reddy, T. (2011): Applied Data Analysis and Modeling for Energy Engineers and Scientists. USA: Springer.

$$\frac{1}{9}\ \frac{(y_{t1} - y_{t0})}{y_{t0}}$$

- Within the timespan before the treaty came into force, data of 9 years were available.

After these two equation, again the difference of Δy_{t1} and Δy_1 was constructed which led to the result of the variable $\Delta Import_{03\text{-}83}Y$.

On the right hand of the equation, β_0 is the regression constant, where the explanatory variables $\beta gattX_2$, $\beta areaX_2$, $\beta_{gdp}X_3$, $\beta_{pop}X_4$, $\beta_{contig}X_6$, and $\beta_{distw}X_7$ were taken from the CEPII dataset for the year 1991, and $\beta_{ECOWAS}X_5$ was constructed as a dummy variable to see if the country is member of ECOWAS or not. Further on, ε is the error term which includes other factors which might influence the dependent variable.

By running the regression through STATA, the command robust was applied as it is used where least squares regression like the OLS regression is done. It is always possible to have some outliers in the regression but instead to exclude them from data, the "robust regression might be a good strategy since it is a compromise between excluding these points entirely from the analysis and including all the data points and treating all them equally in OLS regression." (UCLA) Therefore, it weights and reweights least squares regression models.

The output of the regression analysis of the import of Nigeria from the rest of the world is reported in the following table:

Table 1: Estimation of $Import_{03\text{-}83}$ equation: dependent variable: $\Delta Import_{03\text{-}83}$

	(1)
	Import_03_83
gatt	-9.672*
	(-2.06)
area	-1.27e-08
	(-0.08)
gdp	0.000000323
	(0.75)
pop	-0.000482
	(-0.20)
ECOWAS	11.94
	(1.05)
contig	-23.53*
	(-2.36)
distw	-0.000243*
	(-2.27)
_cons	11.00*
	(2.30)
N	4859

t statistics in parentheses
* p<0.05, ** p<0.01, *** p<0.001

The column of the coefficients provides information regarding the prediction of the dependent variable from the independent variable. The total number of observation amounts to 4859.

Considering the first explanatory variable gatt, it was constructed as a dummy variable and gives information whether the exporting country is a member of the GATT which covers international trade in goods. 1 indicates that the exporting country is member of GATT, 0 otherwise. In the last GATT Round, the WTO was created and came into force 1995. Since signing the new WTO agreements, including the updated GATT (GATT 1994), former GATT - members officially became “WTO members”. (WTO 2011) The coefficient of the variable is -9.672002. The interpretation for the variable β_1 gatt is that the predicted import score would be 9 points lower than for non GATT – members, holding all other variables constant. On a 0,05% level this variable is statistically significant which means that it has an impact on the import flow to Nigeria.

The coefficient of the variable area is -1.27^{e-08}. It measures the size of the area of the importing country. As the coefficient is not significant on a 0.05% level, the size of a country has no influence on the importing trading flow to Nigeria.

The coefficient for the next variable, gdp is 0.000000323 which is again not statistically significant at the 0.05% level. Therefore, the GDP of the country which exports goods to Nigeria has no influence on Nigeria's import trading pattern.

The coefficients for pop -0.000482, this value is again not statistically significant at a 0.05% level, as well as the variable ECOWAS (11.94).

However, the variables contiguity and distance to the export country are statistically significant on a 0.05% level which suggests that contiguity to Nigeria and the distance to Nigeria are influential to its import trading pattern.

The correlation matrix of the explanatory variables does not show any conspicuous feature which suggests that the variables are not highly dependent:

Table 2: Correlationmatrix of the explanatory variables in the $\text{Import}_{03\text{-}83}$ equation

	gatt	area	gdp	pop	ECOWAS	contig	distw
gatt	1.0000						
area	-0.1519	1.0000					
gdp	0.1736	0.4180	1.0000				
pop	-0.1696	0.5373	0.1642	1.0000			
ECOWAS	0.0017	-0.1155	-0.1199	-0.1046	1.0000		
contig	0.0947	-0.0498	-0.0725	-0.0632	0.2879	1.0000	
distw	-0.0858	0.2857	0.2632	0.2913	-0.4181	-0.2789	1.0000

The descriptive statistic shows the following output:

Table 3: Descriptive Statistics of the variables in the $Import_{03\text{-}83}$ equation

Variable	Observations	Mean	Standard Deviation	Min	Max	Source
gatt	55365	0.77	0.43	0	1	CEP II
area	55365	1427323	3093172	7	1.71e+07	CEP II
gdp	52902	455928.70	1117146	33.85	5946900	CEP II
pop	53137	86.83	224.65	0.04	1150.78	CEP II
ECOWAS	58879	0.07	0.26	0	1	author
contig	55365	0.03	0.17	0	1	CEP II
distw	55365	6583.62	3790.18	475.88	19553.24	CEP II

The column variable indicates all variables which were used in the regression. The column of the observations only lists the numbers of observations which were valid for each variable. The next column lists the mean of the variables and the standard deviation gives information regarding the spread of the distribution of the variables. Additionally, the sources of the variables are listed to provide a comprehensive overview.

Export

The second regression of the analysis focuses on the export of Nigeria within the timespan from 1983 to 2003 (dependent variable) to the rest of the world. The explanatory variables are the same as in the regression before, the membership of the import country in the GATT (WTO) (gatt), the area of the importing country (area), the GDP in current mn US$ (gdp), the population size of the import country (pop), the membership of the country within ECOWAS (ECOWAS), the fact, if the countries are neighbors (contig), and the weighted distance in km (distw).

Therefore, the OLS regression equitation can be written as follows:

$$\Delta Export_{03\text{-}83}Y = \beta_0 + \beta gattX_1 + \beta areaX_2 + \beta_{gdp}X_3 + \beta_{pop}X_4 +$$

$$\beta_{ECOWAS}X_5 + \beta_{contig}X_6 + \beta_{distw}X_7 + \varepsilon_i$$

The dependent variable $\Delta Export_{03\text{-}83}$ was estimated analog to the variable $\Delta Import_{03\text{-}83}$ but instead of the import data, the export data were used. On the right hand side of the equation, the same data were used than in the import equation, whereas β_0 is the regression constant and ε is the error term. Again the command robust was applied to have a (re)weighted least square regression.

The results of the analysis of the export from Nigeria to the rest of the world are reported in the following table:

Table 4: Estimation of $Export_{03-83}$ equation: dependent variable: $\Delta Export_{03-83}$

	(1) Export_03_83
gatt	32.77
	(0.43)
area	0.0000271
	(0.84)
gdp	-0.000106
	(-1.28)
pop	-0.595
	(-1.15)
ECOWAS	137.6
	(0.91)
contig	92.41
	(0.83)
distw	0.0705
	(1.03)
_cons	-269.6
	(-1.07)
N	99

t statistics in parentheses
* p<0.05, ** p<0.01, *** p<0.001

The number of observations of 135 tells us, that there are far less observations for exports than for imports. This could lead to the assumptions that Nigeria does not have as many exports as imports.

Conversely, as the reader can see, there is no statistically significant value at the 0.05% level which leads one to assume that none of the variables are influencing the export trading pattern of Nigeria, no matter, if the country is belonging to ECOWAS or not.

Therefore, the regression has been constructed again, this time without oil products, as it is assumed that the exclusion of oil as a product would have an impact on the overall pattern in the regression (due to Nigeria's high dependence from oil itself). The following table is shown underneath:

Table 5: Estimation of $Export_{03\text{-}83}$ without oil -and gasproducts equation: dependent variable: $\Delta Export\_wo_{03\text{-}83}$

	(1) Export_wo~83
gatt	32.77
	(0.43)
area	0.0000271
	(0.84)
gdp	-0.000106
	(-1.28)
pop	-0.595
	(-1.15)
ECOWAS	137.6
	(0.91)
contig	92.41
	(0.83)
distw	0.0705
	(1.03)
_cons	-269.6
	(-1.07)
N	99

t statistics in parentheses
* p<0.05, ** p<0.01, *** p<0.001

The number of significant variables in this output did not change, however, therefore showing that it does not make any difference if oil products are included in the regression or not.

The following table shows the correlation matrix of the explanatory variables of the export regression (with oil). Again this matrix does not show any suspicious features.

Table 6: Correlationmatrix of the explanatory variables in the $Export_{03\text{-}83}$ equation

	gatt	area	gdp	pop	ECOWAS	contig	distw
gatt	1.0000						
area	-0.1522	1.0000					
gdp	0.1739	0.4179	1.0000				
pop	-0.1697	0.5375	0.1639	1.0000			
ECOWAS	0.0009	-0.1152	-0.1195	-0.1043	1.0000		
contig	0.0936	-0.0497	-0.0716	-0.0625	0.2875	1.0000	
distw	-0.0855	0.2852	0.2627	0.2909	-0.4173	-0.2762	1.0000

The descriptive statistic shows the following output (regression with oil):

Table 7: Descriptive statistics of the variables in the $Export_{03\text{-}83}$ equation

Variable	Observations	Mean	Standard Deviation	Min	Max	Source
gatt	54409	0.75	0.46	0	1	CEP II
area	54409	1428712	3095657	7	1.71e+07	CEP II
gdp	51990	456803.60	1118282	33.85	5946900	CEP II
pop	52221	870.42	224.95	0.04	1150.78	CEP II
ECOWAS	57865	0.07	0.26	0	1	author
contig	54409	0.03	0.17	0	1	CEP II
distw	54409	6594.63	3788.39	475.88	19553.24	CEP II

4.3.2. Summary and Conclusion of the Analysis

In the import regression, the variable gatt, the contiguity, and the weighted distance influence the import to Nigeria from the rest of the world, whereas in the export none of the included variables influence the trade pattern from Nigeria to the rest of the world. This leads to the assumption, that ECOWAS has no significant effect, neither on imports nor on exports. In other words, in the case of Nigeria interregional trade within ECOWAS countries was not significantly fostered through the "Treaty Revised" and little progress has been made by ECOWAS to reach the objective to increase economic integration.

As many analysis show that the integration process does not automatically lead to a different trading pattern of members of a regional agreement, I neither prove nor disprove my research question whether, Nigerian's membership to ECOWAS leads to an increased Inter-African trade. Furthermore, the question whether or not ECOWAS leads Nigeria to more independence from the "Northern" trading partners also cannot be answered either way.

Despite this, it is worth stressing that the gaps and limitations of the available data might have distorted the empirical results. It is important to notice that, and to emphasize that regional trade might be substantially higher than reported, as informal cross-border trade is predominant in the area of ECOWAS. In the literature there are suggestions that "the study of informal cross-border trade flows should constitute the starting point for formal regional organization strategies." (Boas et al. 1999: 1066)

5. Conclusion and Future Prospects

As the issue of being a member in a regional agreement and the effects on the members trading policy is yet not explored to its extent, this issue attempted to shed further light into a under-researched topic. Therefore, the main focus of the work lied within the restructuring measures of ECOWAS within the "Revised Treaty" (Lagos treaty) in 1993 and the consequences for Nigeria's trading policy as well as the theoretical part to integration processes with special focus on Africa.

Due to the interdependence between Nigeria and ECOWAS, a lot of interesting questions arose especially as the literature review and the empirical part suggested a failure in the integration process of Nigeria within ECOWAS. In the empirical part of this paper, the focus was to research whether, Nigerian's membership to ECOWAS leads to an increased Inter-African trade since the "Treaty Revised"; and whether or not ECOWAS leads Nigeria to greater independence from its "Northern" trading partners.

As regional integration agreements bring markets closer and initiate more competition, regionalization can take different institutional forms, ranging from a preferential trade agreement to custom unions, or a deeper integration which results in the harmonization of some domestic policies. It could lead to an even more developed form, such as a fully-fledged economic, monetary or political union. (Oman 1994: 34) Consequently, the membership of a regional agreement does not only have an economic component but also political consequences for the states. (Mansfield/ Milner 1999: 595)

However, several studies have found out that the failure of a low share of intra-trade in the region of Africa comes from a greater general failure of the countries to abolish or reduce trade barriers. The reason for this is that the removal of these barriers would not fit in with their import substitution policies, as countries fear loss of tariff revenues. Furthermore, as the trading structure of the major part of the countries is dominated by primary commodities, it seems obvious that they wouldn't trade with each other. (Oyejide 1996: 8) Despite, trade being very low in this region, official statistics usually underestimate the rate. It is suggested that it is three times higher than the official statistics. (Demba Thiam 2003: 100) Moreover, if regional trade agreements have increased intra-Africa trade, they did not improve welfare as Viners concept suggested. (Yang/ Gupta 2007: 413)

Due to the results of the literature review and this paper, the process of integration should be reconsidered. A report in 2000 of ECOWAS sees the future for the successful integration process and defines it as follows:

> "The prospects for the success of regional integration in West Africa are enhanced by the focus and relevance of the ECOWAS integration process, and by the strategies that have been adopted. In other words, the basics have been created by ECOWAS to make West African integration a real possibility. It is worth recalling that the ECOWAS treaty has the objective of fostering economic development and raising the living standard of West Africans. The goal of ECOWAS, therefore, goes beyond the simple creation of a common market. It is to make regional integration an effective tool for the development of the participating countries. This is the focus of the changes that the regional integration process has been undergoing in ECOWAS. It is worth recalling some of these major developments which have helped to define more clearly the integration framework, and which also provide the basis for the appropriate strategies to be adopted to accelerate the integration process." (ECOWAS 2010: 382)

More than eleven years have passed since this statement was released and hardly any objectives since this statement have been reached. One of the main failures is the lack of the transition from a theoretical to a physical common currency market, which was designed to be implemented in 2010. It is the believe of many people that such a currency could foster intra-regional trade in the region. The integration proposal to merge the Western African Monetary Zone (WAMZ) with the West African CFA franc zone to produce a single currency for ECOWAS was established in 2000. The constructivists theory, for example, explains the failure due to the creation of colonial structures, where no monetary convergence can occur. (Allenson 2009: 10ff) Another obstacle which was mentioned in Allenson's article is the boundaries of the post-colonial state, in contrast to the social and political integration process of the pre-colonial era, thus hindering todays regional integration nowadays. (Allenson 2009: 13)

But in 2010, ECOWAS adopted the policy "West African Common Industrial Policy" which should increase the share of ECOWAS members till 2030. This adoption follows a global trend of regionalization in terms of trade integration. (von Uexkull 2011: 3)

In order to make integration work in Africa, Kimunguyi suggests that "political willingness and commitment to regional integration need to be fully reinforced by Africa's leaders, who should not be 'seduced' by the success of regional initiatives elsewhere for example Europe." (Kimunguyi 2006: 17) Therefore, I agree with him, that the design and implementation of the integration process in Africa has to be adapted to challenges and realities within the African context.

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Appendix

Table 8: Profiles of the African Economic Community and regional economic communities[13]

ECOWAS	1975 b	Full economic union	Partial free trade area (for unprocessed goods and handicrafts). Customs union objective pushed back to 2005.
IGAD	1986	Full economic union	Partial free trade area.
IOC	1982	Sustainable development through cooperation on diplomacy, environment, and trade	Two members (Mauritius and Madagascar) have achieved free trade areas.
MRU	1973	Multisectoral integration	Inactive due to political conflict.
SADC	1992	Full economic union	Aim to establish a partial free trade area by 2010 and full free trade area by 2012.
SACU	1910 c	Customs union	Customs union.
UEMOA	1994	Full economic union	Currently a customs union with a common external tariff in operation since January 2000.
UMA	1989	Full economic union	Free trade area (due in 1992) not yet achieved.

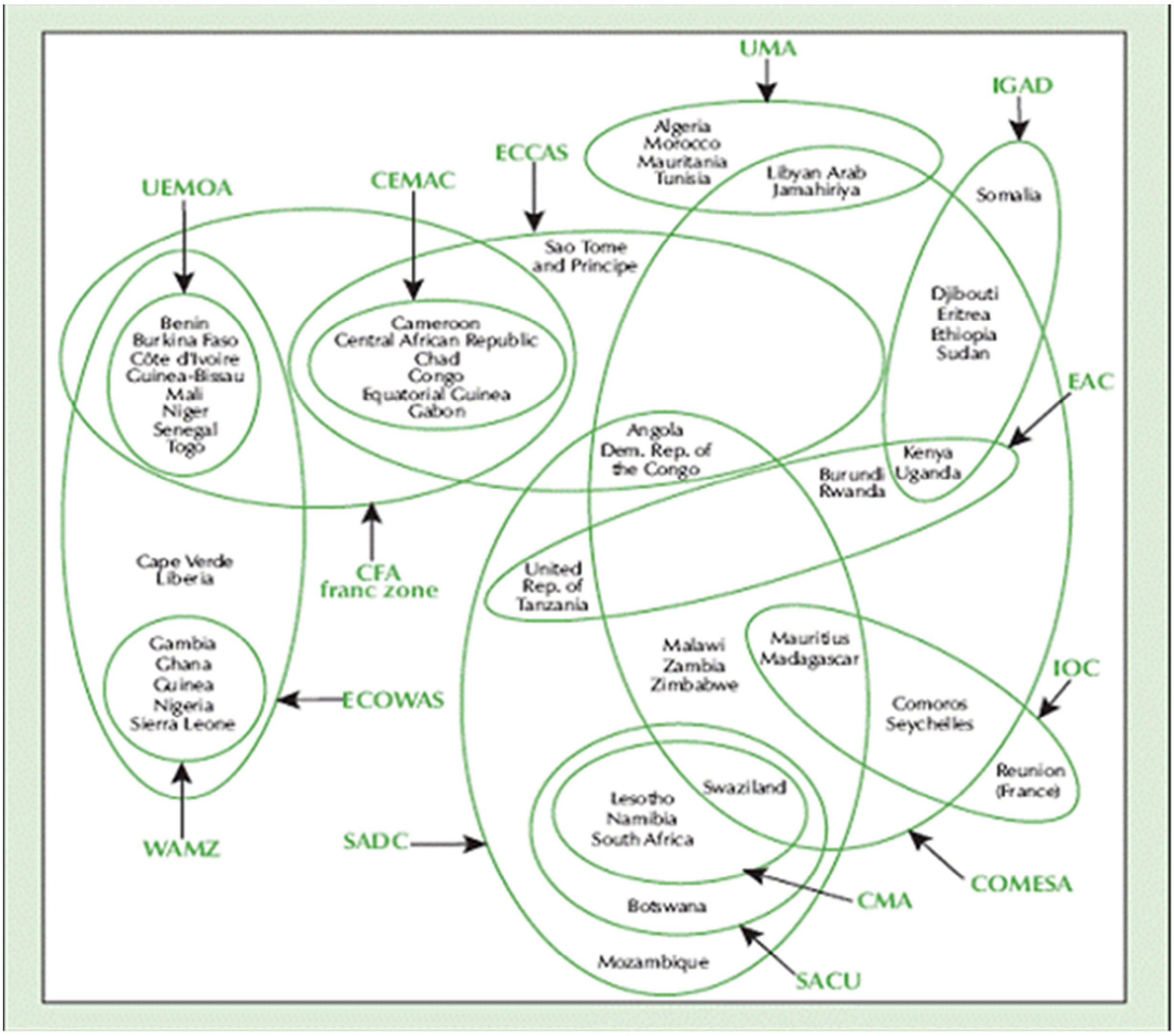
a. Disintegrated in 1977 and reestablished in 1994.
b. Treaty was revised in 1994.
c. Current SACU agreement was signed in 1969.
***Source:** Economic Commission for Africa, from official sources.*

This table was taken from the report of the "Economic Commission for Africa" and provides the reader an overview about the existing regional agreements in Africa and their date of establishment, their aims, as well as the status of each agreement in 2004. (Economic Commission for Africa 2004: 251f)

[13] „Ich habe mich bemüht, sämtliche Inhaber der Bildrechte ausfindig zu machen und ihre Zustimmung zur Verwendung der Bilder in dieser Arbeit eingeholt. Sollte dennoch eine Urheberrechtsverletzung bekannt werden, ersuche ich um Meldung bei mir."

To understand the landscape of regional agreements in Africa, a map from the UNCTAD secretariat is displayed.[14] It should provide the reader a better understanding of the complex structure of regional agreements in Africa and the multiple memberships of African countries. Additionally, it should emphasize the importance of regional agreements in the context of Africa.

Table 9: Landscape of regional agreements in Africa[15]



[14] Source: UNCTAD secretariat, based on Tsangarides, Ewenczyk and Hulej, 2006: 26.

[15] „Ich habe mich bemüht, sämtliche Inhaber der Bildrechte ausfindig zu machen und ihre Zustimmung zur Verwendung der Bilder in dieser Arbeit eingeholt. Sollte dennoch eine Urheberrechtsverletzung bekannt werden, ersuche ich um Meldung bei mir.“

A table from the "Economic Commission for Africa" is provided underneath where the memberships of each country are clearly listed (Economic Commission for Africa 2004: 253f):

Table 10: Membership list of African countries in regional agreements[16]

Country	AEC	CEMAC	CENSAD	CEPGL	COMESA	EAC	ECCAS	ECOWAS	IGAD	IOC	MRU	SACU	SADC	UEMOA	UMA
Algeria	✓														✓
Angola	✓				✓		✓						✓		
Benin	✓		✓					✓						✓	
Botswana	✓											✓	✓		
Burkina Faso	✓		✓					✓						✓	
Burundi	✓			✓	✓		✓								
Cameroon	✓	✓					✓								
Cape Verde	✓							✓							
Central Afr. Rep.	✓	✓	✓				✓								
Chad	✓	✓	✓				✓								
Comoros	✓				✓					✓					
Congo, Dem. Rep.	✓			✓	✓		✓						✓		
Congo, Rep.	✓	✓					✓								
Côte d'Ivoire	✓							✓						✓	
Djibouti	✓		✓		✓				✓						
Egypt	✓		✓		✓										
Eritrea	✓		✓		✓				✓						
Equatorial Guinea	✓	✓					✓								
Ethiopia	✓				✓				✓						
Gabon	✓	✓					✓								
Gambia	✓		✓					✓							
Ghana	✓							✓							
Guinea	✓							✓			✓				
Guinea-Bissau	✓							✓						✓	
Kenya	✓				✓	✓			✓						
Lesotho	✓											✓	✓		
Liberia	✓							✓			✓				
Libya	✓		✓												✓
Madagascar	✓				✓					✓					
Malawi	✓				✓								✓		
Mali	✓		✓					✓						✓	
Mauritania	✓														✓
Mauritius	✓				✓					✓			✓		
Morocco	✓		✓												✓
Mozambique	✓												✓		
Namibia	✓				✓							✓	✓		
Niger	✓		✓					✓						✓	
Nigeria	✓		✓					✓							
Rwanda	✓			✓	✓		✓								
São Tomé & Pr.	✓						✓								
Senegal	✓		✓					✓						✓	
Seychelles	✓				✓					✓			✓		
Sierra Leone	✓							✓			✓				
Somalia	✓		✓						✓						
South Africa	✓											✓	✓		
Sudan	✓		✓		✓				✓						
Swaziland	✓				✓							✓	✓		
Tanzania	✓					✓							✓		
Togo	✓		✓					✓						✓	
Tunisia	✓		✓												✓
Uganda	✓				✓	✓			✓						
Zambia	✓				✓								✓		
Zimbabwe	✓				✓						✓				

Source: Economic Commission for Africa, from official sources.

[16] „Ich habe mich bemüht, sämtliche Inhaber der Bildrechte ausfindig zu machen und ihre Zustimmung zur Verwendung der Bilder in dieser Arbeit eingeholt. Sollte dennoch eine Urheberrechtsverletzung bekannt werden, ersuche ich um Meldung bei mir."

Table 11: Countries Description

	IMPORT	EXPORT	*ECOWAS*
Angola		x	
Argentina	x		
Aruba			
Australia	x	x	
Austria	x		
Benin	x	x	x
Brunei Darussalam			
Bulgaria	x		
Cameroon	x	x	
Canada	x	x	
Cape Verde			x
Chile	x		
China	x	x	
China, Hong Kong Special Administrative Region	x	x	
Côte d'Ivoire	x	x	x
Democratic Republic of the Congo			
Denmark	x	x	
Egypt	x		
Finland	x		
France, Monaco	x	x	
Gambia	x		x
Ghana	x	x	x
Greece	x		
Guinea	x		x
Guinea-Bissau			x
Hungary	x		
Iceland	x		

	IMPORT	EXPORT	*ECOWAS*
India	x	x	
Indonesia	x	x	
Iran	x		
Iraq	x		
Ireland	x	x	
Israel	x	x	
Italy	x	x	
Kenya	x		
Lebanon	x	x	
Liberia	x		x
Malaysia	x		
Mali			x
Mauritania	x		
Morocco	x		
Netherlands	x	x	
New Zealand	x		
Niger	x		x
Norway, Svalbar and Jan Mayen	x	x	
Pakistan	x	x	
Poland	x		
Portugal	x	x	
Saudi Arabia	x		
Senegal	x	x	x
Sierra Leone	x		x
Singapore	x	x	
Spain	x	x	
Sweden	x		
Togo	x	x	x
Trinidad and Tobago	x		

	IMPORT	EXPORT	*ECOWAS*
Tunisia	x		
Turkey	x		
USA, Puerto Rico and US Virgin Islands	x	x	
United Kingdom	x	x	
United Republic of Tanzania	x	x	
Venezuela	x		
Zambia	x		

Table 12: Overview of Empirical Studies relating explicitly to ECOWAS

YEAR	AUTHORS	OBJECTIVE	RESULTS
1994	Kalu N. Kalu	A Transactional Analysis of Regional Integration in ECOWAS.	As this study is very comprehensive, not all findings can be reflected here, but one of the findings showed that ECOWAS countries that had high debt service ratio, also tended to have higher levels of intraregional trade, when Nigeria was excluded from the analysis.
1995	Mamit Deme	The impact of ECOWAS States on trade flows of its member countries.	Her findings suggest that the regional integration scheme of ECOWAS has lead to increasing trade flows between member countries.
1998	Dean M. Hanink and J. Henry Owusu	Estimates if ECOWAS is effective in enlarging trade among its members.	Their findings showed that trade patterns have not changed within the members of ECOWAS due to ECOWAS.
1998	E. Olawale Ogunkola	An empirical evaluation of trade potential in the economic community of West African States	If the experience of the the ASEAN trading block is embedded to ECOWAS, intra-regional trade will also increase in this trading block.
1998	Alexander Yeats	The examination of exchanging trade preferences among Sub-Saharan African countries.	The conclusion of Yeats research is that Africa's own restrictive general trade policies has a major negative

			on trade both within and outside the region
2001	Lucian Cernat	Estimation the gross trade creation and diversion effects resulting from RTA formation for a number of regional trade arrangements among developing countries.	The author's results suggest that a large number of African Regional Trade Agreements are trade creating with regard to intra- and extra-regional trade.
2002	Basil Jones	The examination of Economic Integration and Convergence of Per Capita Income in West Africa.	Jones found out that convergence in real per capita has occurred across ECOWAS economies during the timespan 1960-90.
2004	Matthias Busse, Axel Borrmann and Harald Großmann	To investigate the Impact of ACP/EU Economic Partnership Agreements on ECOWAS Countries.	The authors results suggest that trade creation exceeds trade diversion (in absolute levels) in all scenarios which they used and all West African countries.
2005	Jacob W. Musila	Examination of the intensity of trade creation and diversion in COMESA, ECCAS and ECOWAS.	For the case of ECOWAS, the results suggest that ECOWAS doesn't divert the import trade.
2005	Rémi Lang	To assess the impact of liberalization under the EPAs, assuming full liberalization of imports from the EU into ECOWAS by using the partial equilibrium WITS-SMART model.	The results suggest that it is the case for differentiation and less than full reciprocity in the EU-ECOWAS EPA negotiations due to trade creation within the members of ECOWAS.
2007	Evans S.C. Osabuohien	The examination of the impact of trade openness on economic performance of ECOWAS members focusing on Ghana and Nigeria.	The most important finding suggest that trade openness has a positively impact to the economies of ECOWAS Members.
2008	Youssouf Kone	To assess the prospective	The results suggest a positive

		economic and social effects of the proposed EU-ECOWAS EPAs in Cote d'Ivoire.	welfare effect of an EU-ECOWAS EPA.
2009	Michael Enowbi Batuo and Gema Fabro	To provide new empirical evidence about the determinants of per capita income in African countries, with particular attention to the effects of governance institutional quality and sub-regional integration on income level.	The authors results suggest that a higher level of per capita income within African regional groups come from better institutions, higher degrees of regional integration cooperation, higher rates of investment in human capital and lower rates of population growth.
2010	Afio Zannou	Examination of factors which affect the intra-community trade flows of ECOWAS	The authors findings suggest that depreciation of exchange rates and the openness of economies determine the volumes of intra-ECOWAS trade flows.
2010	Loesse Jacques Esso	To re-examine the cointegrating and causal relationship between financial development and economic growth in the ECOWAS countries.	The findings within the five countries which the author examined, financial reforms should take place in Cape Verde, Ghana, Liberia, Mali and Sierra Leone, while Cote d'Ivoire should promote economic growth.

I want to emphasize that this is only an overview including the research I am aware of and might not be complete.

Abstract

This work deals with the question for the consequences of Nigeria’s trading policy within the restructure measures of ECOWAS within the “Revised Treaty” (Lagos treaty) in 1993. The empirical analysis is based on Viner’s custom union theory of 1950 and the following papers with the main focus on literature in the so called second wave of regionalism since the 1990ies. In this timeframe, the theory received a large amount of new input and new perceptions, some of which do not agree with Viner’s findings in 1950. Particularly, for developing countries, the major goals of such regional integration groups is the provision of physical infrastructure which indicates transport and communication networks, next to reduction of tariff barriers and other formal restrictions.

Therefore, the empirical part gives answers if the restructuring of ECOWAS within the second wave of regionalism has had any consequence for Nigeria’s trading policies whilst the intra-regional trade increased and trade with “Northern” partners decreased.

However, the results mentioned are coupled with findings of other papers, namely that the integration process within ECOWAS so far has failed due to a variety of reasons and therefore, the design and implementation of the integration process should be reconsidered.

Zusammenfassung

Die vorliegende Arbeit beschäftigt sich mit der Frage inwieweit die Restrukturierung von ECOWAS in 1993 mit dem „Vertrag von Lagos“ zu Konsequenzen für Nigerias Handelsströme geführt hat. Die empirische Analyse basiert auf der Zollunion Theorie von Viner von 1950 und die folgenden wissenschaftlichen Abhandlungen, vorallem in der zweiten Phase des Regionalismus in den 1990er, da seitdem viele neue Erkenntnisse aufgekommen sind, die nicht mit der ursprünglichen Theorie von Viner aus 1950 übereinstimmen. Im speziellen für „Entwicklungsländer“ ist das Ziel eines regionalem Zusammenschlusses, bessere Kommunikations – und Transportnetzwerke zu etablieren, sowie Zölle und andere Handelsrestriktionen zu eliminieren.

Der empirische Teil der Arbeit liefert die Antwort auf die Frage, ob der Restrukturierungsprozess von ECOWAS in der zweiten Phase des Regionalismus zu Konsequenzen für Nigerias Handelsströme geführt hat, im speziellen, ob der Interafrikanische Handel mit den anderen ECOWAS Staaten forciert wurde und ob die Abhängigkeit von sogenannten nordischen Staaten reduziert wurde.

Jedoch schließen sich die Resultate in die Reihe von anderen Ergebnissen an, die einen Misserfolg des Integrationsprozesses aus verschiedensten Gründen innerhalb der ECOWAS zeigen. Daher sollte das Design und die Implementierung des Integrationsstrebens für Afrika neu überdacht werden.

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