

Intra-regional trade in WAMEU: An empirical study

By

Afees Salisu

Department of Economics &

Centre for Econometric and Allied Research (CEAR)

University of Ibadan

Ibadan, Nigeria

Email: aa.salisu@mail.ui.edu.ng

Phone: +2348034711769

Extended Abstract

Regional integration and cooperation is increasingly gaining prominence in the international trading system. This may not be unconnected with the increasing evidence of successful regional trade coupled with other associated benefits such as partial or full removal of tariff and non-tariff barriers between member states and the creation of a common external tariff, among others. World Trade Organization's (WTO) reports on development of regional trade agreements (2010) reveal that about 474 Regional Trade Arrangements (RTAs), counting goods and services notifications separately, have been notified to the General Agreements on Tariffs and Trade (GATT)/WTO as at July 31, 2010 compared to 194 and 87 agreements that were notified in 1999 and 1990 respectively. This trend is likely to be strengthened by the RTAs currently under negotiations.

In Africa, with the revival of interest in deregulation and privatization of national economies, regional cooperation is seen as a realistic panacea to the region's prolonged deteriorating socioeconomic status. The continuing decline of state-imposed barriers to inter country flows is expected to pave the way for increased regional trade in Africa (see World Bank, 1994).

In West Africa, the surge to achieve a successful regional trade agreement has prominently continued to dominate the agenda of the established economic communities. After a decade of economic regression and the traumas of structural adjustment, West African countries are in search of viable development strategies and looking increasingly to the role that regional integration and cooperation could play in revitalizing and redirecting the development process (Laverge, 1995).

Evidently, three economic communities (ECs) have been established in West Africa to pursue economic integration among member countries. The first is the West African Economic Community (CEAO) established in 1972 which was later replaced by the West African Monetary and Economic Union (WAMEU) also referred to as *Union économique et monétaire*

ouest-africaine (UEMOA) in 1994. The second is the Mano River Union (MRU) established in 1973 and the third is the Economic Community for West African States (ECOWAS).

Essentially, one goal common of these three communities is the promotion of trade co-operation and self-reliance in West Africa. However, the achievements of WAEMU, being an economic union and currency union as well, usually attract special attention by researchers both within the region and beyond. It may be interesting to ascertain: (1) to what extent have regional trade agreements among WAEMU member countries enhanced multilateral trading system within the region? (2) what are the factors driving the intra-regional trade in WAEMU. This study begins analyses from 1995 (a year immediately after the establishment of WAEMU) to carefully evaluate the achievements of WAEMU since its inception. Thus, the broad objective of this study is to evaluate both descriptively and empirically, intra-regional trade architecture in WAEMU between 1995 and 2010.

Evidently, a number of studies have examined the impact of RTAs for the various economic and currency unions in both developed and developing countries. Prominent among these studies include (in the last one decade) but not limited to, Anderson and van Wincoop (2003), Baltagi, Egger, Pfaffermayr (2003), Baier and Bergstrand (2004, 2007, 2009), Feenstra (2004), Longo and Sekkat (2004), Carrere (2006), Jugurnath *et al.* (2007), Abbott *et al.* (2008); Egger *et al.* (2008); Lee *et al.* (2009); Martínez-Zarzoso *et al.* (2009), Vicard (2011) and Athukorala (2012).

However, there seems to be a dearth of empirical work in this regard specifically directed to address the peculiarities of WAEMU's intra-regional trade. More importantly, the estimates obtained from the use of Gravity model (GM hereafter) that has dominated the empirical literature on RTAs are sensitive to the sample of countries included in the analysis (see Magee, 2008 for a review of relevant literature in this regard). Thus, this further justifies the need to specifically look at the case of WAEMU and therefore, the present study contributes to the growing debate on the regional integration architecture in Africa. To the best knowledge of the authors, the only empirical study in WAEMU trade is Agbodji (2008). However, the present study looks at the determinants of intra-regional trade among WAEMU member countries rather than the general regional integration of WAEMU to the rest of the world covered by Agbodji (2008). The intention here is to develop a framework for a successful intra-regional trade among the member countries of WAEMU. Thus, in our GM framework, every reporting WAEMU country has the rest of the union's members as its trading partners. This further narrows the evidence more closely to how these Gravity and other important variables have influenced the recorded intra-regional trade in WAEMU. Also, we estimate the GM for each of the member countries to ascertain if these factors will change across countries. Thus, we are able to evaluate each country's peculiarities in WAEMU intra-regional trade.

Key Words: Trade, WAEMU, Gravity model, Panel Data

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