Determinants of a successful regional trade agreement in WEST AFRICA

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Extended Abstract

There is no gain saying regional trade agreements (RTAs) have become widespread in every part of the World especially after the lack of consensus from the Doha Round of the GATT/WTO agreement in the area of non-tariff barriers. Africa has not been spared of this proliferation as the continent now has over 30 RTAs most of which are free trade agreements and economic integration agreements and on average each country in the continent belongs to at least four of such. The growth of these RTAs may however 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 (Salisu et al., 2012).

However, despite the fact that increased linkages among African countries through an expansion of intra-regional trade can be a crucial device for creating the necessary growth spillovers and fostering the regional takeoff as noted by Longo and Sekkat, (2004), the performance of African RTAs especially in the attainment of this economic objectives has been relatively disappointing. For instance, empirical studies have revealed that the impact of RTAs on intra-African trade have been very small especially in comparison with its extra-regional trade (see Cassim, 2001; Yang and Gupta, 2005). Further, econometric analyses have also confirmed that regional

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integration in Africa (through various regional schemes) has been a failure (see Elbadawi, 1997). Unfortunately, Western Africa cannot be isolated from the aforementioned problems.

A peculiar problem to which these sad stories about the performance of RTAs in Western Africa can be associated is the presence of different agreements and a possible overlaps between them. [2]These overlaps may result in duplication of responsibility, potentially conflicting commitments and the waste of already scarce resources (Robert, 2004). Therefore, apart from the conventional barriers to intra-regional trade, the effect of such overlap cannot be overlooked. Consequently, a salient question that is elicited is; what factors hinder the effectiveness of RTAs in West Africa and to what extent has RTA overlaps exacerbated them? While the closest effort at providing an insight to this question was by Musila (2005) who focused on the intensity of trade creation and diversion in COMESA, ECCAS and ECOWAS as a whole, we are of the opinion that an inward looking analysis for the RTAs within West Africa in particular will be more insightful and revealing especially for the purpose of intra-regional policy formulation.

In the present study, we therefore extend the gravity model (GM) to capture the determinants of a successful RTA in West Africa and further examine the possibility of trade creation or diversion among the RTAs within the region. Apart from the conventional specification that highlights the other determinants of trade, this study adopts a Vinerian-type gravity model specification with three dummies per FTA with a view to capture the trade creation or trade diversion effects of each RTA. We expect that the presence of trade diversion within the region will reveal a lack of synergy among the RTAs therein and a possible explanation for the setbacks earlier mentioned in West Africa while the presence of a trade creation will prove otherwise. Also, we estimate a GM for each country to ascertain the presence of country specific factors in intra-regional trade.

Key words: Gravity model, ECOWAS, Trade creation, Trade diversion, Regional Trade Agreements

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[2] Here the overlaps are those between the two major RTAs in the region namely ECOWAS and WAEMU.