**Regional Context: ECOWAS Lessons and Proposals for CFTA Negotiations on Goods***

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## 1. **Introduction**

This note seeks to draw lessons from the regional integration experience of ECOWAS as a basis for suggesting proposals for CFTA negotiations on trade in goods, i.e. agriculture and manufacturing industry. It identifies the unbalanced composition of the membership of ECOWAS which emanates from the differences in size and the different perspectives regarding development strategy and policy. The fact that these two asymmetries contrast Nigeria with the other countries which make up ECOWAS and the failure to recognize them explicitly in the decision-making processes of the regional institutions make their implications particularly difficult to manage.

In what follows, these asymmetries and their implications are used to examine the experience of ECOWAS in the negotiations associated with the ECOWAS Trade Liberalization Scheme (ETLS), the common external tariff (CET) and the economic partnership agreement (EPA) with the European Union (EU). These experiences are, in turn, projected into an assessment of the critical requirements for the development of a regional strategy for negotiating the continental free trade area (CFTA) agreement on trade in goods.

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2. **ECOWAS' Negotiations Experience on Trade in Goods.**

The ECOWAS regional integration process has progressed gradually from the preferential trade area (PTA) stage through the free trade area (FTA) stage to the first level in the form of the establishment of the common external tariff (CET). Although each of these stages and levels was foreseen in both the originating ECOWAS Treaty of 1975 and its revised version of 1993, the establishment of the CET was actually hastened by the requirements for negotiating the European Union-West Africa EPA, in the sense that the sequential tariff liberalization processes associated with the EPA needed to based on an ECOWAS CET.

3. **Lessons from the ETLS Negotiation**

The negotiation of the ETLS was based on the need for a gradual and sequential reduction of tariff barriers on intra-ECOWAS trade in agricultural and manufactured products. In other words, the ETLS was conceived as a preferential trade agreement (PTA) in the context of which tariff reductions would occur not only in stages but also at different speeds by several categories of countries. In addition, the ETLS included a built-in tariff revenue loss compensation scheme.

Thus, in negotiating the ETLS, an explicit recognition was given to differences in economic size and development levels. In particular, the "more developed" countries in ECOWAS, more or less those countries that were not in the list of "least developed countries" or LDCS, were required to reduce their tariffs at a faster rate with a view to reaching the zero tariff rate on qualifying intra-ECOWAS trade much earlier than the LDCs. In addition, tariff revenue loss incurred by the LDC member states would be compensated for by payments through a fund established for that purpose. Over time, while the differential-speed tariff reduction strategy was maintained, the tariff revenue loss compensation fund ran out of money and the scheme was eventually abolished. In negotiating the CFTA, both of these issues are likely to be raised. The challenge for ECOWAS, in terms of its regional CFTA strategy, is to determine whether the admission of the two issues would be appropriate, given its own experience with the ETLS. It appears reasonable to suggest that while the differential speed for tariff reductions may be viable, it may be difficult to sustain the tariff revenue loss compensation scheme for exactly the same reason that the experiment failed in ECOWAS.

4. **Lesson from the CET and EPA Negotiation**

In negotiating the ECOWAS CET, it was decided that the existing UEMOA CET of four bands (0%, 5%, 10%, and 20%) would form the base and that the non-UEMOA countries of ECOWAS should abandon their individual tariff structures and adjust these to align with the UEMOA CET. This decision clearly ignored the patently obvious difference in development strategy between Nigeria and the other ECOWAS countries. More specifically, while these other countries had fairly low average most-favoured-nation (mfn) tariff rates, Nigeria maintained a much more protectionist trade policy stance. Nigeria appears to believe that its size provided an opportunity for using an import-substitution-industrialization (ISI) strategy to promote both industrialization and overall economic growth. This is a development strategy that the other ECOWAS countries lack the opportunity to use, given their much smaller individual economic sizes.

While this significant difference slowed down the CET negotiations considerably, it did not prevent the successiveful establishment of the CET eventually in 2015. However, Nigeria does not appear to be willing to give up its more protectionist development strategy. Thus, while accepting to implement the ECOWAS CET, it has liberally used the CET accompanying measures to deviate from the CET rate as permitted by the application of these measures. In addition, it has gone further to create a “national list” in the context of which certain manufactured products are more highly protected than under the CET; as well as an “import prohibition list” from which imported products from other ECOWAS countries are exempted. It remains to be seen whether Nigeria will fully embrace the ECOWAS CET after the expiration of the five-year transition period in 2020.

One important lesson that can be drawn here is that failure to recognize differences in development strategies among regional integration partner countries can create difficulties for reaching sustainable trade agreements. The different stages of regional integration across African countries, levels of development as well as development strategies will pose challenges for the successful negotiation of the CFTA and implementation of the final results. The ECOWAS experience suggests that its regional strategy should bear this in mind. The negotiation of ECOWAS CET offers another area from which an appropriate lesson may be drawn. This is an issue which focuses on different development strategies for each of the two component parts of trade in goods. At the regional level, ECOWAS has a fairly well developed common regional policy on agriculture which is enshrined in ECOWAS Common Agricultural Policy (ECOWAP). It also has a regional policy in industry under the ECOCIP (ECOWAS Common Industrial Policy), which is much less developed. In the context of ECOWAP, the region’s common development strategy for agriculture has, at its core, a trade policy which mandates free internal trade in all agricultural products within the region combined with significant tariff protection against imported final agricultural products.

The ultimate aim of ECOWAP is to ensure regional food sufficiency as a means of protecting food security.

The common regional trade policy position in the case of agriculture does not extend to manufacturing industry where only Nigeria maintains a protectionist regime. Thus, in the ECOWAS CET in the context of which Nigeria’s insistence on a higher fifth band resulted in the 35% top rate, as much as 90% of tariff lines under this rate are actually agricultural, rather than industrial, tariff lines. Perhaps as a result, Nigeria's acceptance of the CET has been complemented with a national list and import prohibition list through which the country's ISI development strategy is sustained.

The lesson here is this. In developing the ECOWAS regional CFTA Strategy, it is important to show recognition of this important development policy asymmetry in its membership. The failure to do so in the context of the EPA negotiations is primarily responsible for the current stalemate in the EU-West Africa EPA