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Revisiting economic integration in West Africa: A theoretical exposition

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Abstract. The signing of regional trade agreement between the Economic Community of West African State and Switzerland in 2017 provides a renewed and ambitious blueprint for economic integration and developmental strategies in West Africa. However, one of the remarkable features of the historic event was the relative lack of analysis of the significant issues and problem of regional aspiration and integration before the treaty was drafted. Bearing this in mind, it appears that the theoretical persuasion of economic integration may have attracted this commitment since it provides a better understanding on the economic mechanism through which a regional cooperation could enhance both static and dynamic benefits among partnering countries. For better consideration of the implication of this move, this study identifies the main trends in economic integration theories and also flashlight on how these theories were developed. The motivations that led to the need for innovative approaches to enrich economic theory of economic integration were based on its implication or impact on West African region. Although several researchers have tried to explain the phenomenon of economic integration, we cannot say there is a generally accepted theory, since some of the already suggested theories and criticisms has its consequences on the region. Hence, this study is suggesting domesticated theories that will suite the contextual analysis of African region rather than adopting theories meant for developed and more vibrant economy.
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1. Introduction

Regional aspiration as shared by West African statement, academia and citizen alike reflects a general desire to break out the cycle of poverty and a denial of all that divides the region including barriers to free movement of good, service, labour and capital among the partnering countries. As it is, the quest for regional desire also constitute a response to manifest incapacity of the countries to meet domestic need and the search for solution on how African can improve their share of the world trade without compromising the welfare of the nation.

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The signing of ECOWAS Treaty with Switzerland in 2017 provides a new ambitious blueprint for economic integration and development in Africa. However, one of the remarkable features of this historic event was the relative lack of analysis on the implication on these moves on West African nations, particularly the major macroeconomics issues, political conflict, insecurity and economic backwardness facing the region before the treaty was drafted.

Historically, the first effort made to enhance economic integration is dated back to the establishment of the West African Economic Community (CEAO) in 1972 through the conversion of the much older customs and economic integration, union *douanier et economique de l' Afrique de l' Quest (UDEAO)* which was disbanded on the 14th March 1994. The other economic communities are the Mano River Union (MRU) established in 1972 and the Economic Community of West Africa State (ECOWAS), formed in 1975 (ECOWAS, 2010). The major emphasis in creating each of the three communities was the liberation of intra-community trade and regional road network to enhance free flow of resources within the region (ECA, 2015).

In line with this thinking, progress recorded by these three countries has been mixed. Highpoints of their achievement includes the remarkable advancement in the transportation and telecommunication network through external funding of the costa highway and PAN African Telecommunication Network that now linked the regions (World Bank, 2000, 2006). Notwithstanding the impressive performance recorded, effort to integrate these West African countries to meet the demand of globalization and break the vicious cycle of poverty affecting the region seems impossible to realize. Probably because of poor regional security, diverse in cultures, institutional difficulties and fear of domination caused by elevated political struggles in the region.

In the view of these perceived challenges and prospects for economic integration, this study contributes to a better understanding of the evolving context in which economic integration theories which have been developed overtime affects economic integration in Africa. The uniqueness of this study is reflected in the gaps identifies by these prominent literatures and how their theories have motivated the need for regional objective.

2. Theoretical exposition

The earliest theoretical work on regional integration emanated from the theory of absoluteand comparative theory, Heckscher-OhlinModel international trade and Schumpeter-Stloper theorem on the intellectual interest in promoting trade by removing protectionism and enhancing trade liberalization as the opportunities for growth and regional development (Todaro, 2010). Viner classic article on the subject also created more attention to economic integration as it pointed out that integration could lead to trade creation and trade diversion (Viner, 1950).

Over 200 years of study on international trade, David Ricardo remained credited for being the first to develop comparative cost advantage theory in his treatise on the 'principle of political economy and taxation' published in 1817. Ricardo proposed that if two or more nationsthat are making products are not efficient in the productivity, there is still basis for beneficial relationship. Ricardo theory encouraged and justifies the essence of free trade and benefit that can be derived from removal of trade barriers (Ricardo, 1963).

In 1951 paper, MacDougall pioneered the empirical test of the Ricardo comparative advantage theory and found that in 1937 there was a strong inverse relationship between relative US and UK wage cost per unit of output and relative exports. In the year 2000 a paper presented by Golub and Hsieh assessed the Ricardian model for United State trade using a cross sectional Seemingly Unrelated Regression (SUR) of sectorial flows on relative labour productivity and unit of labour cost for number countries to provide persuasive evidence that Ricardian theory remained empirically sound. Accordingly, in 2015, another paper entitled 'Comparative Advantage and Optimal Trade Policy by Donaldson and his coauthor (Costinot, Vogel and Werning) explored the implications of the Ricardian model to create an optimal trade policy. They argued that export goods featuring weaker comparative advantage should be taxed less (or subsidized more) relative to those featuring stronger comparative advantage. Another innovative theory in support of economic integration is the H-O theory of comparative advantage presented by Heckscher (1919) and Ohlin (1933). The two theories based their assumption of two nations, two products and two production factors (Heckscher, 1935; Ohlin 1983 and Salvatore, 1996). H-O theory of comparative saw the difference in comparative advantages as that of the exogenous differences. Another attempt made to address the inefficiency associated with H-O theory of Comparative Advantage was presented by Wofgang Stolper and Paul Samuelson in 1941 using the two-factor, two product models developed through the popular Stolper-Samuelson Theorem. The beginning of Stolper & Samuelson (1941) analysis was based on the effect of protectionism on real wages which set a milestone to contribution of modern study of economic integration (Potelwa, Lubinga, & Ntshangase, 2018). The study signals a new transition in the international economic and negotiation as spelled out by the consequence envisaged for free trade on general equilibrium framework presented in their framework putting into consideration the ability of a nation relocating import-competing product to an export industry that prevent loss in income due to trade expansion (Kabir *et al.,* 2017).

A study carried out in 2014 on Mexico by Robertson and Marie-Claire, was motivated by the Stolper and Samuelson Theorem, which specifically dealt the issue of rising wages inequality and increasing international trade. Hence, Robertson (1999) suggested that further test on the model could bring reality check on the implication of this theorem on the move for world trade. In a Post Graduate Dissertation presented by Michael in 2016, the study attempt to evaluate Stolper-Samuelson trade liberalizationwages inequality in Indian, tests the prediction of the model using industry level tariff framework as the basis for assessing his study. Michael finds empirical evidence to support growing wages differentials within regional firms operating in Indian which contradict and predict Stolper-Samuelson Theorem.

Viner (1950) classic article on the subject pointed out that regional economic integration could lead to trade creation or trade diversion. By reducing trade barrier between neighboring countries, custom union and free trade area could promote economic efficiency and proper allocation of scarce resource while contributing to gradual strength of international trade effect ignoring the consumption effect (Tinbergen, 1962; Olayiwola *et al.,* 2015).

In 1958, Johnson presented an article titled: *"TheGain from Freer Trade with Europe: An Estimate"* the paper shows the welfare implication of custom union among partnering nations (Johnson, 1965). Also, in 1956, Lipsey and Lancaster introduced special case of custom union in an article titled: "The General Theory of Second Best". Their paper also shows that forming a customs union and removing a trade barrier only among the members will not necessarily produce second best welfare position (Salvatore, 2003, 2010; Mengesha., 2009; Ozgur & Abdulakadir, 2018).

Finally, it is evident thatvaried studies were undertaken to critically examined West Africa regional integration experience in other to beam light on the dynamic of the macroeconomic condition of the countries before becoming part of the union (Salvatore, 2010). For instance, Shobande & Ibrahim (2018) made reasonable effort to examine the level of economic integration in Africa anchored on custom union theory with special case of second best position using gravity model. The authors after testing many regressionsconcluded that there is more to economic integration than discussed in theoretical sphere. Likewise, Panagrinya (1998, 2000) after spending a decade of study on economic integration concluded that the basis for regional integration has welfare effects on the union membersnomatterthe circumstances surrounding the arrangements.

3. Concluding remarks

Judging from the above theoretical exposition, it can be inferred that regional aspiration have strong intellectual and persuasive support as developmental strategies butits genuineness regarding the welfare benefits of the partnering union might be in doubt.

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