Trade Facilitation and Sustainability in the ECOWAS Region in Crisis Time

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1.0 Highlights

- The disruption in the supply and demand chain in the Economic Community of West African State (ECOWAS) region is as pronounced as the cases in other Africa regional trade blocs. Before the outbreak of the coronavirus disease, intra-regional trade in the ECOWAS region has been particularly low, largely informal, and poorly documented.

- Members external to ECOWAS regions play a significant role external members played in the regional value chain. Statistics from the United Nations Conference on Trade and Development (UNCTAD) reveal that in 2018, intra-regional trade flow (export) stood at 8%, inter-regional trade was 44.9%, and trade with the rest of the world stood at 91.78%. As such, the lockdown measures taken by the ECOWAS against major external trading partners, especially the United States of America (US) and China, have had a very noteworthy impact on the region’s supply chain.

- Intra-regional trade in ECOWAS which is largely dominated by the informal exporter was severely impacted by measures adopted by the ECOWAS Member States, especially in areas of border control and restrictions on the movement of businesspersons.

- The review of the Revised ECOWAS Treaty of 1993 reveals that it does not provide for response mechanisms to address crises like pandemics. Articles 35 and 41(5) of the Treaty demands respectively that ‘customs duties or other charges with equivalent effect on Community originating imports shall be eliminated’ and that the Member States shall not execute trade restrictions that may stultify the free movement of goods within the Union.

- Sequel to this break in supply chain witnessed across the region due to measures taken by member states to contain the virus, the ECOWAS on June 20th, 2020 released guidelines on the ‘re-opening of cross-border trading and transportation’ hereinafter referred to as The Guidelines. Although applaudable, The Guidelines failed to touch elaborately on local means of transportation for retailers of goods and services.

- As Small and Medium Business Enterprises (SMEs) are considered major drivers in developing economies, The Guidelines is flawed for failing to address precautionary, preventive, and reactive actions for the local transportation networks that link imported and exported goods and services to SMEs and ultimately, the consumers.

Considering the impact of the coronavirus crises and the lacuna in the ECOWAS policy provisions, it is imperative for the trade bloc to adopt an Alternative Temporary Support

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1 Article 35 of the ECOWAS Revised Treaty of 1993.
3 Paragraph 4 of the Guidelines.
4 The World Bank, ‘Small and Medium Enterprises (SMEs) Finance: Improving SMEs’ Access to Finance and Finding Innovative Solutions to Unlock Sources of Capital
Measures Policy for the Facilitation and Sustenance of International Trade in the ECOWAS in Times of Crisis and Pandemic.

2.0 Introduction
The nexus between the global crisis and the debility in international trade flow has always been intricate\(^5\). This makes the collapse in international trade flow a remarkable feature of the current coronavirus (COVID-19) pandemic. Following the world economy experience that was considered to be one of the most complex crises since the Great Depression of 1929, which was the; “the great trade collapse” caused by the 2008/2009 global financial crisis\(^6\). The coronavirus pandemic might be the only crisis that would perhaps cause the most severe disruption to the global supply and demand chain in this century giving its rare nature of a twin demand-supply shock. In the first quarter of 2020, UNCTAD asserted that the coronavirus pandemic led to a 3% drop in global trade values. Also, UNCTAD forecasts a quarter-on-quarter decline of 27% by the end of the second quarter\(^7\). However, with the virus yet to run its course, there are contentions that the foreseeable collapse in international trade may indeed be exceptional by historical standards if adequate measures are not put in place.

The African continent which appears to be a safe haven at the early stage of the spread is currently wrapped up in the struggle to contain the spread of the virus even though a relatively low rate of confirmed cases has been recorded compared to other continents. The ECOWAS region as part of Africa’s Regional Trade Agreements (RTAs) is not left out as the COVID-19 pandemic is aggressively testing the limits of economies across the world. The massive trade disruption in the ECOWAS region is however as pronounced as the cases in other Africa’s RTAs. Before the outbreak of the virus, intra-regional trade in the ECOWAS region has been particularly low, largely informal, and poorly documented. Statistics from UNCTAD reveal that in 2018, intra-regional trade flow (majorly export of agricultural produce\(^8\)) stood at 8%, inter-regional trade was 44.9%, and trade with the rest of the world stood at 91.78%. However, intra-regional trade has been projected with considerable potentials to increase, in line with ECOWAS ambitions. With current realities, the time horizon for the realization of the intra-regional trade ambition of ECOWAS giving the rampaging nature of the crisis is bound to be protracted. In 2018, total trade export from the region as of 2018 stood at USD110.4 billion, while total imports stood at $99.9 and $108.2 billion for 2018 and 2019 respectively\(^9\). Furthermore, trade balance for the region stood at an estimate of $7 billion and $2 billion for 2018 and 2019 respectively\(^10\) with Nigeria accounting for the bulk of this surplus followed by Cote’Ivoire and Ghana. However, the region’s level of trade with external members particularly the US and China depicts the significant role they play in the ECOWAS regional value chain. Hence, the

\(^5\) Broll, Udo; Jauer, Julia (2014) discussion paper on how international trade is affected by the financial crisis: The gravity trade equation.
\(^7\) UNCTAD. COVID-19 triggers marked decline in global trade, new data shows (13\(^{th}\) May 2020)
\(^8\) Carmen Torres and Jeske van Seters on their overview of trade and trade barriers in ECOWAS expressed that actors and factors that explain formal and informal trade dynamics will need to be taken into account when designing and implementing policies to effectively promote intraregional trade and value chain development
lockdown measures taken by these major external trading partners have had a very significant impact on the region’s supply and demand chain.

However, it is noteworthy to mention that the outbreak of the pandemic forced the ECOWAS Member States to put in place drastic barrier measures (physical distancing, quarantine, closure of schools, shops and places of worship as well as the total or partial ban on public transport in urban areas) as elsewhere in the world. The first measures taken by these states were to restrict cross-border movement and limit air transit. Indubitably, the aftermath of these drastic measures has negatively impacted the transport sector, trade, and intra-community exchanges within the ECOWAS region. Owning to the nature of the novel virus, regional and continental cooperation is difficult in the absence of obvious benefits. The state of affairs between the ECOWAS Member States hinders the use of regional regulations – that has been the exercise from on-going endeavours to advance regional agreement and collaboration in fields extending from harmonization of policy with regards to trade flow in COVID-19 period. This experience may perhaps not new since studies from scholars such as The Political Economy of Africa’s Regional ‘Spaghetti Bowl’ by Byiers et al. 2019 already pointed out that political economy dynamics within and between African states demoralize the implementation of regional commitments. Consequently, the incentive to find a coordinated response among countries clashes with the political need to respond nationally. Measures put in place by a majority of the ECOWAS Member States are concomitant to the gap that exists in trade protocols and regulations by not making provisions for harmonized trade measures in time of crisis. Hence, the objective of this study is to examine some of the gaps in the existing regulation and propose recommendations that are resistant to supply chain disruption in the time of crisis in the ECOWAS region.

3.0 A review of the key ECOWAS member state lockdown and border closure policies

Generally, across Africa, the relative proportion of confirmed cases of COVID-19 to the entire population is low compared to other continents. Nevertheless, countries across the ECOWAS region have taken major steps to curb the spread of the COVID-19 as national governments impose some degree of lockdown policies ranging from partial lockdown to total lockdown in some cases. The decision to embark on lockdown by countries in the region negatively impacted businesses and trading activities. Some countries instituted restrictions on the movements of millions of people. Although in most cases, transportation of essential commodities such as medical supplies, agricultural products, and food were granted freedom under close preventive measures.

In the first phase of the lockdown, the Federal Government of Nigeria, the region’s largest economy ordered the closure of schools, organizations, and businesses across the nation’s capital city, Abuja, Lagos (the country’s commercial hub) and Ogun states the gateway and neighbouring

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11 H.E Jean-Claude Kassi Brou on 12th June, 2020 also held a virtual meeting with ECOWAS coordinating committee of Ministers for transport, logistics, free movement and trade, seeking an harmonised measures to facilitate the opening of trade and transport corridors.


13 Byiers et al.. The political economy of Africa’s regional ‘spaghetti bowl’ ecdpm synthesy report 2020. P 15
state to Lagos on the 30th of March 2020 for an initial period of 14 days. This was further extended for another period of 14 days, followed by gradual easing regulations in the fifth week. However, the land and airways remained opened for cargoes as stated in the list of exempted service prepared by the Presidential Task Force on the Covid-19 Pandemic.

Ghana, ECOWAS second-largest economy, imposed a lockdown, but only in its two largest cities. The lockdown began on 30th March in the capital, Accra and second-largest city, Kumasi along with their respective greater metropolitan areas. Part of the measures announced by the president of Ghana was on partial lockdown in the Accra-Tema-Kasoa and Kumasi Metropolitan areas, closure of borders by land, sea, and air to passenger traffic, the prohibition of mass gatherings, closure of schools, suspension of consular services, and increased public education on the need for improved hygiene and social distancing. The socio-economic impact of this measure resulted in a contraction of production, trade, and investment within Ghana and between Ghana, other ECOWAS Member States, and the rest of the world.

The Republic of Benin closed its borders with Nigeria as emergency response in the wake of the virus outbreak in Africa. The spontaneity of this measure on border restriction in the region’s busiest trading route did not go down well with traders who were stranded at the port of entry both from Nigeria and other neighbouring ECOWAS countries such as Ghana and Togo. This restriction greatly limited trade flow between countries across the region.

As early as January 29, 2020, before any case of the virus was even reported in Africa, the president of Côte d’Ivoire declared that ships from regions affected by the epidemic, as it was at the time, will be subject to sanitary checks by the services of the National Institute of Public Hygiene (INHP) before it enters into the country. The government of Cote d’Ivoire closed land, aviation, and maritime borders on March 22, 2020, through June 30. However, Cargo shipments were not affected. Nonetheless, physical contact during cargo clearing has been inevitable due to the lack of a framework for paperless cross border trade in the region.

Sierra Leone shut its land borders to its two neighbours, Guinea and Liberia who have recorded a handful of cases. Notably, these three countries were most affected during the 2013-2016 Ebola virus outbreak. The Gambia decided on March 23 to close its borders with neighbouring Senegal for 21 days as part of measures to stem the spread of the coronavirus, local media reported on Monday.

It is important to reiterate and emphasize that the measures adopted by the ECOWAS Member States disrupted the trade flow within the region. As intra-regional trade in ECOWAS is largely

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17 Veuitlez (January 29,2020) Marine Health Controls at the port of Abidjan. Abidjan Autonomous Port
18 Kwasi Gyamfi Asiedu (March 2020) .West African countries are trying to shut down to contain the coronavirus spread. Quartz Africa.
dominated by informal exporters whose export products primarily comprise agricultural produce, the border closures measures have dealt a hard blow on trade liberalization.

4.0 Review of the ECOWAS Trade Protocols and Treaties for Crisis Time

Even though trade liberalisation in ECOWAS has not been very applaudable\textsuperscript{19}, the increase in intra-regional trade since 1975 indicates the gains of free-trade\textsuperscript{20} – an advantage that is currently under intense threat by the coronavirus pandemic. Accordingly, therefore, the need to revisit and evaluate the ECOWAS Revised Treaty of 1993 and the ECOWAS Trade Liberalisation Scheme (ETLS) can neither be overlooked nor over emphasised.

Chapter VIII of the ECOWAS Revised Treaty of 1993 embodies provisions on how the Member States are expected to co-operate in matters of Trade, Customs, Taxation, Statistics, Money, and Payment. Arguably, the texts of this chapter reveal that at the time of treaty negotiations, country representatives did not envisage a crisis that could in theory and effect, frustrate the very essence of trade liberalization in the region. Notably, Articles 35 and 41(5) of the Treaty demands respectively that ‘customs duties or other charges with equivalent effect on Community originating imports shall be eliminated’\textsuperscript{21} and that the Member States shall not execute trade restrictions that may stultify the free movement of goods within the Union\textsuperscript{22}. These provisions, notwithstanding, West African countries have joined the league of many countries across the globe that has initiated trade restrictions in the Covid-19 era\textsuperscript{23}. On one hand is the attempt to curb the spread of the virus, thereby necessitating border closures within the region. On the other hand is the need to protect domestic industries and economies, the rationale for which trade restrictions have become necessary.

In as much as the rationale for these restrictive measures are understandable, it is impossible to ignore the direct and indirect implications trade restrictions would have on the ecosystem not only to the threat to trade liberalization but also its ability to frustrate trade flow and supply and demand chains of essential/non-essential goods and services. To avoid the ripple effect of this situation, it is imperative for the ECOWAS Member States to consider the adoption of an Alternative Temporary Support Measures Policy for the Facilitation and Sustenance of International Trade in Times of Crisis and Pandemic, to persuade trade actors against imposing trade restrictions\textsuperscript{24}. The recommended adjustment to the gaps discovered in the trade policy and regulation are presented in the policy recommendation section.

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\textsuperscript{21} Article 35 of the ECOWAS Revised Treaty of 1993.

\textsuperscript{22} Article 41(5) of the ECOWAS Revised Treaty of 1993.


\textsuperscript{24} World Bank Group, ‘Trade and COVID-19 Guidance Note: Do’s and Don’ts of Trade Policy in the Response to COVID-19’
5.0 A review of the ECOWAS guidelines for the harmonization and facilitation of cross border trade & transport in the ECOWAS region on the COVID-19 pandemic and related post-recovery actions

The ECOWAS Guidelines for the Harmonization and Facilitation of Cross Border Trade & Transport in the ECOWAS Region on the COVID-19 Pandemic and Related Post-Recovery Actions (The Guidelines), is one of ECOWAS’ policy documents crafted to address the challenges of the COVID-19 era. The Guidelines aim at instituting measures to coordinate and facilitate the trade of goods and services instrumental both in the fight against Covid-19 and in fostering economic growth and development. It constitutes instructions and directions for stakeholders and actors at the various levels of the transportation industry on how the flow of trade in goods and services may be gradually reestablished. It touches on what levels of precautionary, preventive, and reactive actions are expected from actors before, during, and after engaging the transportation industry, as per international best practices.

The policies embedded in The Guidelines are reasonable in (i) strengthening local manufacturing industries (ii) ensuring fast access to PPE goods in the fight against Covid-19 (iii) increasing opportunities to facilitate the flow of goods and services in the medical field, and (iv) reducing the traffic associated with third party imports at various ports. These remarkable observations, notwithstanding, it is important to mention that The Guidelines failed to touch on some very important areas/issues.

First, The Guidelines focused majorly on ‘re-opening of cross-border trading and transportation’ but failed to touch elaborately on local means of transportation for retailers of goods and services. As Small and Medium Business Enterprises (SMEs) are considered major drivers in developing economies, The Guidelines is flawed for failing to address precautionary, preventive, and reactive actions for the local transportation networks that link imported and exported goods and services to SMEs and ultimately, the consumers. Second, it failed to address possible factors that may impede its successful implementation and possible approach to address such challenges. The aviation industry, for example, is quite overreaching to place such high responsibilities on airline operators which have been out of business for over three months, considering the cost implication. Third, it lacks performance indicators and review programs to assess levels of progress, challenges, and success.

Suffice it to say, therefore, that The Guidelines, to an extent, only tells what is expected of stakeholders and actors, without necessarily addressing how they could be made possible, in terms of financial and other means of support.

25 Paragraph 6 (i)-(iii) of The Guidelines.
26 Paragraphs 9-12 of The Guidelines.
27 Paragraph 4 of The Guidelines.
29 Paragraphs 16-18 of The Guidelines.
6.0 Policy recommendations

A. Adoption of an Alternative Temporary Support Measures Policy for the Facilitation and Sustenance of International Trade in ECOWAS in Times of Crisis and Pandemic

To achieve the aim of an alternative temporary support measure for international trade in ECOWAS region, it is imperative to review Article 46 of the ECOWAS Revised Treaty of 1993 which calls for co-operation amongst the Member States in facilitating ‘the movement of goods and services across their frontiers’\(^{30}\). It is recommended that:

- A Second Paragraph should be included to Article 46 to read thus: Article 46(2) – Member States shall in times of crisis and pandemic, take appropriate measures to ensure that the effective application of the provisions of this Chapter is not hampered, such that goods and services continue to move freely across their frontiers.

- A Third Paragraph should be included to Article 46 to read thus: Article 46(3) – The Community shall take necessary measures which includes offering compensations for the loss of revenue to support Member States’ domestic industries and economies, to mitigate the losses they may suffer while ensuring trade flow in times of crisis and pandemic.

It would also be necessary to amend the ECOWAS Trade Liberalisation Scheme (ETLS) – Protocol A/P2/1/03\(^{31}\) and Supplementary Protocol A/SP1/12/03\(^{32}\). It is recommended that:

- The scope of the eligibility criteria for compensations in Article 5\(^{33}\) of the Protocol should be broadened to include losses suffered from trade liberalisation in times of crisis and pandemic.

- The compensation procedure enshrined in Article 9\(^{34}\) be made elaborate to include enforcement rights stating (a) how Member States can enforce ECOWAS’ commitment to compensate, and (b) how ECOWAS can enforce Member states’ compliance on trade liberalisation as per provisions stipulated in Chapter VIII of the ECOWAS Revised Treaty of 1993.

- The source of finance for compensations in Article 10\(^{35}\) of the Protocol be broadened to include the creation of a Special Interventionist Fund, which shall be funded by donations/aids/grants from International Organisations/Institution, Non-governmental Organisations, Multinational Companies, and Governments of allied States.

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\(^{30}\) Article 46 of the ECOWAS Revised Treaty of 1993.

\(^{31}\) ECOWAS Trade Liberalisation Scheme (ETLS) – Protocol A/P2/1/03 – Protocol Relating to the Application of Compensation Procedures for Loss of Revenue Incurred by the ECOWAS Member States as a Result of the Trade Liberalisation Scheme.

\(^{32}\) ECOWAS Trade Liberalisation Scheme (ETLS) – Protocol A/SP1/12/03 amending Article 6 of PROTOCOL A/P2/1/03 – Relating to the Application of Compensation Procedures for Loss of Revenue Incurred by the ECOWAS Member States as a Result of Trade Liberalisation under the ECOWAS Trade Liberalisation Scheme.

\(^{33}\) Article 5 of the ECOWAS Trade Liberalisation Scheme (ETLS) states that: compensation shall only be granted in respect of loss of Customs revenue from import duties and taxes calculated on the basis of the formula stipulated in article 4 above. Loss of revenue from internal taxes on locally produced goods and imports from within the Community shall not be eligible for compensation.

\(^{34}\) Article 9 of the ECOWAS Trade Liberalisation Scheme (ETLS) states that: Payment of compensation shall be effected by the Executive Secretary, who shall render account thereof to the Council of Ministers.

\(^{35}\) Article 10 of the ECOWAS Trade Liberalisation Scheme (ETLS) states that: compensation for loss of revenue incurred by Member States shall be financed from the proceeds of the Community levy.
• The rationale for the New Article 6\textsuperscript{36} of the Supplementary Protocol should be abrogated as it has become obsolete. The reasoning behind an amended Article 6 should, therefore, reflect compensations as to trade liberalisation in times of crisis and pandemic.
• The duration of the compensation mechanism enshrined in Article 6(1)\textsuperscript{37} of the Supplementary Protocol be amended such that it takes effect not on a specific date, but at such time when a crisis or pandemic is in effect. As such, Article 6(2)\textsuperscript{38} provision should reflect a decreasing scale of the compensation mechanism considering the trajectory of the crisis or pandemic decline.

B. Harmonized Trade Agreements/Provisions to Support a Timely Response and Recovery from (Public Health) Crisis

It is important to note that unlike many trade treaties, there is a lacuna in the ECOWAS Revised Treaty of 1993, as it barely addresses matters of Public Health, Access to Basic Medicine, and related Intellectual Property Rights (IPRs). Whereas, adequate provisions on these areas are the first necessary step to guide international trade organizations through the challenges of ensuring a timely response and recovery from the crisis. Hence:
• Article 61(1)(d)\textsuperscript{39} of the ECOWAS Revised Treaty of 1993 be amended, such that it elaborates and broadens the scope of ‘health matters’; as well as introduce adjoining new provision(s) to detail how the Member States are expected to co-operate on health matters and the extent of such co-operation.
• A new Article provision should be introduced, preferably, Article 67B, to address Member States Co-operation on the Development of Alternative Medicines and Public Health Research.
• A Special Interventionist Fund should be instituted in the treaty to cater for emergency financing in times of crisis and pandemic.
• Regionally coordinated exits from lockdown measures may also be an important long-term strategy to avoid recurring waves of the pandemic.

C. Strengthening of Cross Border Paperless Trade Facilitation Mechanism across the ECOWAS Members States.

The Framework Agreement on Facilitation of Cross-border Paperless Trade is lacking in ECOWAS unlike Asia and the Pacific, Five ESCAP member states (Armenia, Bangladesh, Cambodia, China and the Islamic Republic of Iran) formally signed the Framework Agreement in 2017\textsuperscript{40}. Most agreements have always been centred on the promotion of cross border trade in the ECOWAS region. The importance of this kind of framework has been brought to fore by the

\textsuperscript{36} The New Article 6 of the ECOWAS Trade Liberalisation Scheme (ETLS) embodies provisions regarding the duration of the compensation mechanism.
\textsuperscript{37} Article 6(1) of the ECOWAS Trade Liberalisation Scheme (ETLS) states that: the duration of the compensation mechanism is fixed at four(4) years, with effect from 1 January 2004.
\textsuperscript{38} Article 6(2) of the ECOWAS Trade Liberalisation Scheme (ETLS) states that: amounts payable as compensation shall be calculated on a yearly decreasing scale from 2004 to 2008.
\textsuperscript{39} Article 61(1)(d) states that: member States undertake to co-operate with a view to mobilizing the various sections of the population and ensuring their effective integration and involvement in the social development of the region to encourage and strengthen co-operation amongst themselves in health matters.
\textsuperscript{40} UN ESCAP (2016) Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific
current crisis. It is therefore strongly recommended that ECOWAS sets up a Framework Agreement on Facilitation of Cross-border Paperless Trade.

D. Clearly Set Incentive for Small and Weak Economies
Weak and fragile economies fear the economic powerhouse with a stronger economy (Nigeria, Ivory Coast, and Ghana). This, in turn, weakens the political traction of ECOWAS, as this would present an incentive for states to approach trade issues from a national rather than regional perspective. This has resulted in some level of disparities in domestic trade policies. ECOWAS should develop a consolidated regional trade policy that compensates weaker economies.

7.0 Conclusion

The ECOWAS, like many other RTAs have been gravely hit by the COVID-19 Pandemic and the extent to which economies across the globe have crashed cannot be overlooked. That, notwithstanding, cannot displace the fact that the pandemic has now forced States and RTAs to review their trade treaties. This is particularly of benefit to the ECOWAS region, as it has now become imperative to review, amend, and incorporate into the regional trade policy framework provisions that address impediments to trade liberalization in times of crisis – features that are not covered in its current trade documents. The recommendation is that ECOWAS needs to adopt an alternative temporary support measures policy for the facilitation and sustenance of international trade in times of crisis and pandemic, harmonize its trade provisions to support a timely response and recovery from (Public Health) crisis, strengthen its cross border paperless trade facilitation mechanism across its region, as well as set incentive for small and weak Member States.

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