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Article — Digitized Version

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Intereconomics

Suggested Citation: Conteh, Cherrnoh M. (1975) : The mano river union approach, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 10, Iss. 4, pp. 102-106,
<https://doi.org/10.1007/BF02929598>

This Version is available at:

<https://hdl.handle.net/10419/139179>

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Economic Integration in West Africa

An essential strategy of development policy is to promote economic cooperation between less developed countries (LDCs). The approaches of regional cooperation in West Africa show what problems this strategy may produce in LDCs with sometimes quite different historical and political development and economic structures.

The Mano River Union Approach

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In recent years the attempts to establish regional economic cooperation among LDCs have been one of the main strategies of development policy. This policy attempts to reverse both the inward and outward looking strategies of economic development, and aims to restructure the traditional patterns of growth which have tended to perpetuate the dependence of the LDCs on the developed countries (DCs) in the process of international economic development. While there have been doubts over the success of this policy approach¹, concern has been growing over the widening gap of the growth disparities between the LDCs and the DCs. Thus the traditional forms of international trade have stopped being looked upon as the engine of growth, and it has been thought that LDCs would be better off if their efforts

are more geared towards building a firm industrial base in their economy than towards expecting growth impulses from the center transmitted through the strategy of specialization.

Among the basic features of the traditional pattern of economic development in the LDCs which consequently provoked the policy reconsideration and which reflect the constraints in the traditional pattern of their growth are:

- ☐ lack of diversification of the structure of productions,
- ☐ the permanent deterioration of the terms of trade and
- ☐ the fluctuation of world market prices for the main products of the LDCs.

Integration Experiences in West Africa

Consequently the efforts towards regional economic cooperation are to be taken as an

attempt to lift some of the major constraints in the development of the national economies like the smallness of the home markets and to widen at the same time the scope of the gains from increased international bargaining power.

In this connection, programmes of economic cooperation have been implemented throughout the Third World, in particular in Latin America and Africa. Unfortunately the history of regional economic cooperation in West Africa has so far not been very rewarding and has been marked by the collapse of a number of multi-country schemes. This experience in the West African subregion² — to which Sierra Leone and Liberia belong — led in their efforts for closer economic cooperation to the establishment of the Mano River Union (MRU). This Union should serve as a basic lever

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¹ See: R. S. Bhambri, Customs Unions and Underdeveloped Countries. In: *Economia Internazionale*, Vol. 15 (1962), pp. 235-58.

² See: *Industrial Development Survey*, Vol. II. UN Publications No. E 70.11.135, p. 98.

for the promotion of their development. Decisive for the creation of the MRU are the structures of the economies of both countries, and the advantages and possibilities for the economic development these economies gain by establishing some kind of complementary multinational grouping — that is by extending economic development efforts beyond national boundaries.

Economic Structure of MRU Member Countries

Liberia and Sierra Leone in terms of geographical size, population and income are small countries. The two countries incorporate an area of approximately 75,000 sq.m., and have a total population of about 5 mn (Sierra Leone about 3 mn and Liberia 2 mn). Per capita income is low in absolute terms. In 1969 the per capita income for Sierra Leone was recorded as US \$ 169, and of Liberia as US \$ 251. The GDP of Sierra Leone at factor cost in 1967 was recorded as US \$ 354 mn and for Liberia as US \$ 330 mn³. It should be noted that Liberia is a dual economy with a foreign concession sector which is largely isolated from the rest of the economy. Trade between the two sectors is very small, and their exports to other countries in Africa are minimal. Their economies are export-orientated and the foreign trade pattern shows a number of similarities⁴. A decisive feature of both economies is the importance of the mineral extracting industries. Consequently over half of their incomes is obtained from mining. In Sierra Leone diamonds represent over 60 p.c. of total recorded exports, and in Liberia iron ore accounts for over 70 p.c. of total recorded exports.

The problem of the fluctuation in export earnings is more evident in Sierra Leone whose ex-

ports — largely as result of the fluctuations in recorded exports — show both a lower and a less stable rate of growth than Liberia's. Between 1965 and 1970 the average annual rate of growth of Liberia's recorded exports showed an increase of 9.2 p.c., as compared with 4.9 p.c. in Sierra Leone. On the other hand the agricultural sector absorbs 80 p.c. of the total population and accounts for 30 p.c. of the GDP of Sierra Leone and 20 p.c. of that of Liberia. Thus the dissatisfaction with the structure of their economies became the major concern to governments because the export orientation of the economies was impeding their overall economic development, and in order to promote sustained growth the governments desired to reduce their dependence upon traditional exports. One way to limit that dependence was a concentration on production for their own domestic markets.

Economic cooperation between Liberia and Sierra Leone therefore provides the possibilities to achieve economic diversification and to accelerate industrialization directly without waiting until the liberalization of largely non-existing trade induces economic development in a round-about way. Thus in the "Declaration" cooperative industrialization is given as high a priority as trade liberalization itself. With its merits of making it possible for firms to realize internal and external economies, the need for economic cooperation is crucial for the development strategy of the two countries, because of the smallness of the national markets. Furthermore cooperation can prevent a duplication of projects in production and investment.

³ UN Handbook of International Trade and Development Statistics, Supplements 1970 and 1972.

⁴ For Liberia: Summaries of Economic Data, third year No. 44 issued by ECA; and for Sierra Leone: Summaries of Data, third year No. 24 issued by ECA.

Finally the success of the MRU goes even beyond pure economic consideration for it will provide a growth point of regional economic cooperation in West Africa and through its very existence provide a base for political solidarity for member countries.

Development of the MRU

The MRU — named after the Mano river which divides the two countries — goes beyond mere economic cooperation. It is a modest two country programme involving two sister countries, and is characterized by its strong socio-politico-economic approach to cooperation and its great attention to the institutional framework towards the realization of its objectives. As a subregional organization it is of practical significance and gives considerable scope for initiative to its secretariat.

The history of this attempt at cooperation dates back as far as 1967. In sequence, Liberia and Sierra Leone started discussions on the possibility of establishing closer links in trade and economic cooperation. In 1971 a joint statement on economic cooperation was issued and a joint Ministerial Committee for Economic Cooperation established which met in May 1971 and appointed a Committee of Experts to examine principles and criteria for cooperation. At the second meeting held in Freetown, Sierra Leone, in January 1972 the principles of cooperation were subsequently reaffirmed. Three permanent Working Subcommittees of the Committee of Experts were established to work out the details of future cooperation in the fields of

- ☐ trade, industry and agriculture,
- ☐ transport and communication and
- ☐ education and training.

Following these efforts the MRU was brought into formal being on October 3, 1973 when the Presidents of Liberia and Sierra Leone signed at Malema (Sierra Leone) the Mano River Declaration establishing the Union; this cemented the determination of their countries to accelerate economic growth, social progress and cultural advancement. At a year later the two Presidents met at Bo (Liberia) to celebrate the signing of the Declaration and also signed the first six protocols to the Declaration⁵. Thus the Declaration became the legal framework of the Union and embodied the underlying aims and objectives of the Union, setting out the basic features of the programmes of economic cooperation, and committed the participating countries to the programme and it is a reference point for the resolution of any subsequent disagreement, etc.

MRU Programme and Arrangements

The trade liberalization approach is not considered the decisive element of the MRU economic cooperation process although it represents a general framework. Consequently the kernel of cooperation is an industrial cooperation programme that will involve the establishment of a large group of mutually complementary industries among member countries in accordance with their resource endowments. In addition, the importance of the socio-political aspects of integration⁶ was spelt out in the Declaration in clear terms thereby recognizing the constraints these aspects and ideological discrepancies have on efforts towards development and political harmony.

Thus the governing Declaration laid down a customs union as the technique for the accomplishment of economic co-

operation: that is the removal of all barriers to the movement of commodities and produced services across national borders and the maintaining of a common tariff. Accordingly, the aims and objectives of the Union are:

- ☐ expansion of trade through the elimination of all trade barriers to mutual trade,
- ☐ cooperation in the expansion of international trade,
- ☐ creation of favourable conditions for expansion of mutual productive capacity, including common protective policy and cooperation in creating new productive capacity,
- ☐ to secure a fair distribution of the benefits from economic cooperation. The customs union is to be established in two main phases; the first phase being completed not later than January 1, 1977 and — while considering administrative and other problems — the Declaration stated that the second phase be completed within a reasonable period thereafter. The procedures envisaged for the accomplishment of the first phase include a continued trade liberalization in goods of local origin, harmonization of import duties and other fiscal incentives applicable to these goods and support for joint projects for the production of products of local origin.

A joint secretariat of the Union, whose administrative and financial arrangements as well as its functions depend on direct consultation between the two governments, subject to the agreement of the joint ministerial committee on behalf of the governments, was to be established in Freetown against January 1974.

⁵ For a more elaborate discussion see: Mano River Declaration and Protocols to the Declaration.

⁶ See: Gerald M. Meier, *The Problem of Limited Economic Development*. In: *Economics of Underdevelopment* (selected and edited by A. N. Agarwala and S. P. Singh), New York 1963, pp. 55-58.

Finally the importance of extending economic cooperation within Africa was stressed and open for participation to all states in the "West African sub-region"⁷.

In keeping with the Declaration a catalogue of decisions was reached by the ministerial committee⁸ between July 15-19, 1974, based upon its work programme of previous meetings and guided by the advice of its Technical Committee which received the reports of the sub-committees. This programme of decisions in the form of resolutions aims at the realization of the objectives envisaged in the Declaration. It provides for co-operation in: education, training and research; trade, industry and agriculture; transport, communication and power.

Progress in Cooperation

Although these first years of the MRU should be aptly regarded as the period of serious preparations for the formal embarkation on Customs Union measures, progress has been relatively far reaching. Practical joint studies are going on and agreement has been worked out for cooperation in university training of engineers. For the priority area industrial development and expansion, the secretariat is ensuring that feasibility studies are carried in several areas of production, and it is organizing the commissioning of pre-investment studies for a number of Union industries⁹. Meanwhile officials of both countries have been meeting and have identified problems that limit the process of economic cooperation.

⁷ See: *Industrial Development Survey*, Vol. II, UN Publication 1d/41 E.70.II B. 5, pp. 97-98.

⁸ See: Particularly Joint Ministerial Committee on Liberia-Sierra Leone Cooperation Fifth Meeting Report, Freetown, July 15-19, 1974.

⁹ See: Particularly West Africa, *Mano River: A Union That Works*, No. 2992 of Oct. 21, 1974, p. 1283.

The analysis thus far has shown that the expressed intent was to move toward the full Customs Union and the procedures envisaged were, in the main, continued trade liberalization and particular attention to multinational projects. Thereafter efforts have been initiated to implement the decisions reached.

There are, however, basic impediments in the process of economic cooperation that — if not sufficiently considered — will render the strategies for regional economic cooperation unrealistic and unimplementable. Ample testimony to this fact can be drawn from experiences of other LDCs¹⁰. In this regard the following observations are made¹¹: while the two countries are still engaged in the preliminaries of nations building and national consolidation attention from economic cooperation may be diverted, particularly if national governments should give up sovereignty in areas of economic strategy. At the same time, however, a difference in approach to development strategy would have limitations on the possibilities of a closer cooperation in their co-operation programme.

Other constraints to the furtherance of cooperation in the LDCs are: the lack of an indigenous entrepreneurial class and the infant stage of development of the natural markets which limits the ability to get an operational efficient large market. Another problem area is the over-ambitiousness of the strategies underlying these schemes at certain levels. Nevertheless at the same time better techniques of cooperation must be

devised and a very strong political will be mobilized in the LDCs if the optimal efficiency of the cooperation programmes is to be achieved. To these could be added other limiting factors of a recurring nature that are common to the LDCs and considered here under the following headings: industrial disparities, foreign investments, balance of regional growth, etc. The specific methods chosen to deal with these issues may well determine the ultimate effect of economic cooperation on process of economic development.

Aspects of Industrial Development

Officials of the MRU have identified general issues and problems to which consideration will have to be given when implementing the proposals of co-operation. Since the trend in international trade has led to a perpetuation of the centre-periphery relations, only a change in developed strategy of LDCs can change this structure of relations. Consequently the spearhead of the inward looking aspect of this strategy is the building up of a wide industrial base¹².

Of great concern to MRU is the limited absorptive capacity of its national market. This is one of the problems constraining its industrial programme to improve the very limited scope of their inter-country trade in manufactures because of factors like similar sectoral structures of industry, similar resource endowment, different industrial, fiscal-monetary policies, inadequate physical infrastructure, etc., the MRU has applied techniques which also include the liberalization instrument laid down in the Declaration. As an urgent priority the MRU decided to undertake immediate promotion of joint investment projects,

and feasibility studies are going on in some of the following areas: cement, wood based industries, textiles, rubber tyres, fibre bags, fruits and vegetables processing, palm oil processing, utensils, animal ware. Moreover it identified the importance of Union industries and pre-investment studies and country sponsorships are actively being pursued in the following Union Industries: agricultural implements and tools, textiles and knitwear, industrial sacks, industrial rubber products, cassava pellets, salt, etc.

In addition, the importance given to the formulation and implementation of a scheme for joint export promotion and marketing; the establishment of an industrial development code for the harmonization of incentives to promote cooperation in industrial development, guide investment for industry, to utilize financial institutions to encourage nationals and government in joint ventures and the establishment of Union Standards Bureau should be seen in this respect. Consequently this weight given to cooperation in industry calls for the harmonization of their national economic policies which have a direct or indirect impact on the operational efficiency of their programme.

General Issues and Problems

Two urgent and crucial problems were identified and steps were taken to regulate their effects:

☐ To promote a balanced industrial development and encourage cooperation in MRU, member countries are to agree not to duplicate Union studies where the secretariat has been commissioned to undertake such studies. A lack of cooperation in this field leads to duplication and waste of resources.

☐ To achieve a balancing effect on the industrial growth, criteria

¹⁰ For a more elaborate discussion see: Hermann Johann unter Mitarbeit von Ilse Johann: Die wirtschaftlichen Integrationsbestrebungen der Entwicklungsländer (Tendencies of Economic Integration in LDCs) (with an English Summary), Munich 1973.

¹¹ See: Miguel S. Wionczek, Economic Cooperation in Latin America, Africa and Asia. The MIT Press 1968, pp. 7-19.

¹² See: Joint Ministerial Committee Report No. 5, Freetown 1974.

and measures necessary to implement a system of industrial licensing for Union industries have been decided on. Together with a transfer tax system and fiscal incentives arrangement this can foster balanced economic development and encourage progressive Union cooperation in industrial development.

The success of the Union, however, depends on how efficiently the two countries are able to solve the central problem of distributing new industries, attracting enough foreign capital, and the building up of the basic infrastructure project in a way considered equitable

by all parties concerned. In this connection the MRU decided that location of industry be broad in outlook so as to take into consideration also the socio-political situation.

Finally basic for efficient operation of any cooperation programme there should be coordinated regional and national policies to prevent disparities. In this respect member countries should begin to think in terms of coordinating their regional development planning and — in view of this constraint — the MRU should continue to identify areas where arrangements of cooperation might be

feasible and provision should be made for periodical review of the underlying procedures and techniques of these arrangements and thereby working out alternative courses of action for possible weakness.

We have briefly reviewed the steps taken by the MRU to ensure the success of the overall objectives. What direction this attempt of economic cooperation will take in future will, however, depend on how efficiently the cooperation programme can be implemented. What now is needed is a generation of enthusiasm in both countries for the economic cooperation case.

The Rationale of Economic Integration in West Africa

by M. Uka Ezenwinyinya, Zaria *

In terms of pure theory, the basis for gains from economic integrations is bound up with the opportunities for specialization and exchange of national markets. Although some other conditions could help the course of integration, most of the potential gains from it rest with the exploitation of economies of scale. To gauge what potentialities there are in West Africa for gains from integration would involve the elaboration of quantitative estimates of real gains from market integration, taking into account present and future patterns of demand and supply for subregionally oriented products. However, for the purpose of this short paper we want to examine in general terms the opportunities for economic cooperation in West Africa.

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The greater part of the volume of intra-regional trade is made up of agricultural foodstuffs, including processed and semi-processed products. Given this predominance of agriculture in the economies of the region and the steadily increasing demand for food arising out of the steady growth of population, the opportunities for the expansion of intra-regional trade in agricultural products are quite substantial. At present none of the individual countries in the area seems to be self-sufficient in food production, though, admittedly, much of this could be attributable to faulty agricultural policies. Until the economy of the sub-region undergoes a fundamental structural transformation during which agriculture will lose its preponderance to industry, the least that could be said is that agricultural products will continue to play an impor-

tant role in intra-regional trade subject to some qualifications. The more important of these are:

- ☐ the construction of feeder roads and the existence of efficient distributive network throughout the subregion,
- ☐ increased specialization in production rather than cut-throat competition in the name of diversification policy or nationalism — the present trend towards chauvinism should yield place to subregionalism¹,
- ☐ the setting up of adequate storage facilities, else agricultural products have to be sold off cheaply or they become completely unsaleable: this is particularly important for inland states, especially Niger rice, and lastly
- ☐ a more judicious acceptance of US PL 480 Food Programme