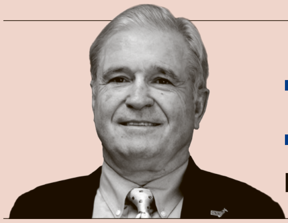
OPINION



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West Africans must work together to attract global cash

Around 300 million people live in West Africa: a dynamic zone of 16 countries with growth rates approaching 6% each year for the past decade. From agriculture to Nollywood films, West African markets are diverse and burst with potential. Despite this, foreign investors are hesitant to engage broadly with West African markets.

I have had more than 40 years of on-the-ground experience in the business policy arena in Africa. As the United States executive director of the African Development Bank in the late 1980s and early 1990s, I played a key role in the formulation and establishment of the private sector department and the African Export-Import Bank, just at the time the African private sector was coming to life.

Through the years, I have certainly seen steps taken to foster integration in West Africa, but there is too much that is stopping genuine progress. That means the region is missing out on major flows of private investment.

So why aren't foreign investors more interested in and integrated into West African markets? Some point to the lack of an effective common market in the region along with the difficulties and costs in transporting goods. With the exception of Nigeria – large enough to be its own market – manufacturers and processors need ease of access to markets across borders. Smaller West African countries are disconnected due to various historical, social and political legacies.

The linguistic divide between Francophone and Anglophone countries hinders a fluid Economic Community of West African States (ECOWAS) market. This is due to the different business landscapes shaped by cultural influences. Francophone countries with historical ties have relatively more trade amongst each other, which over time created an easier movement of goods. There is a trust and familiarity among these countries that share the same language and similar histories.

ECOWAS has taken successful steps towards integration with the adoption of the Common External Tariff (CET), which is meant to enhance trade across the region. Thanks to the ECOWAS regime, people and goods are able – at least theoretically – to travel throughout the region with relative ease. Infrastructure, and in particular roads, has also improved throughout the region.

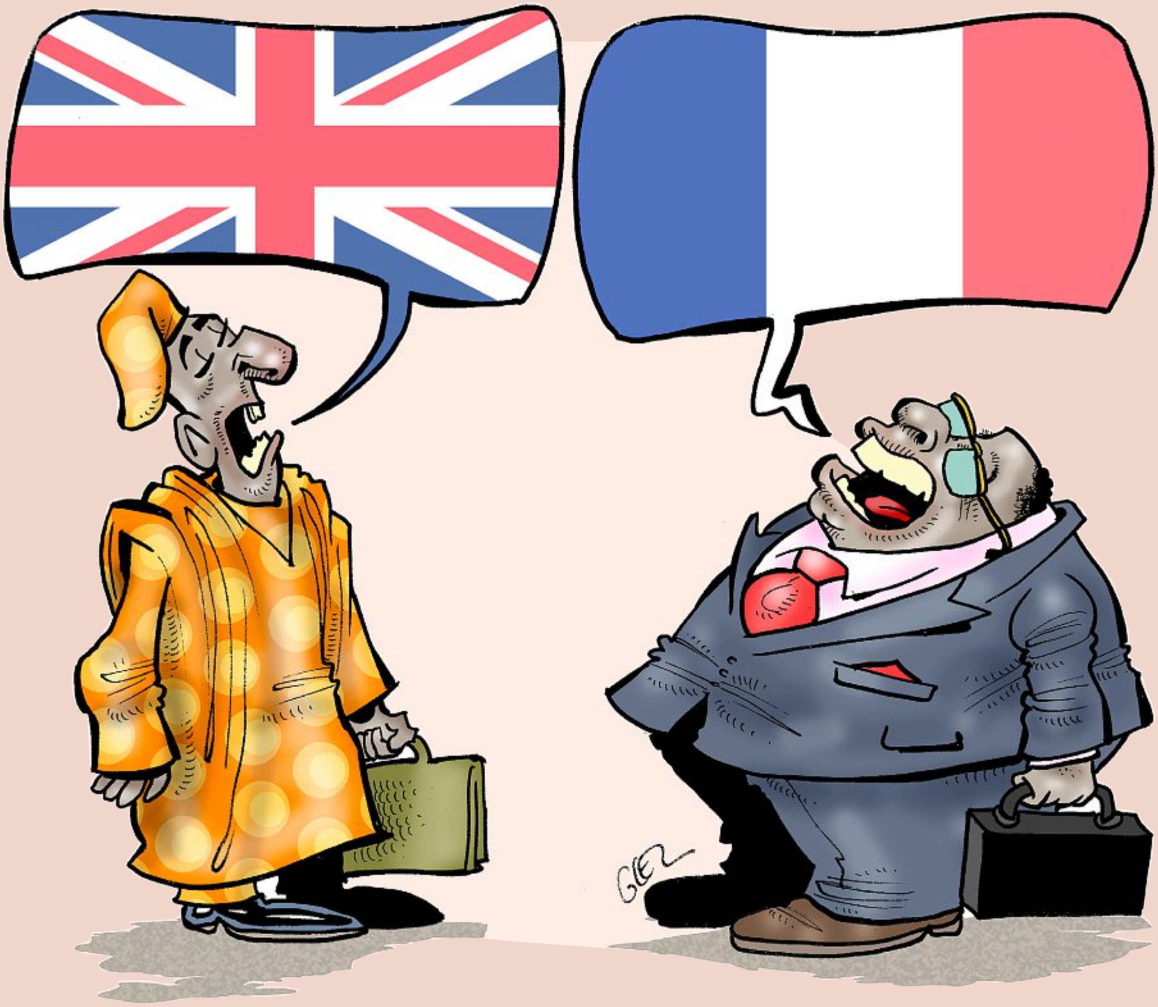
Informal trade across borders also highlights successful regional integration. "It is important to note that some border communities tend to be more integrated from a common market standpoint as they share common tribes, languages and a high level of intermarriages," says Farouk Gumel, a partner at PwC West Africa and a frontier leader at the Initiative for Global Development (IGD). Gumel argues that trade happens seamlessly in those communities, although most of it is informal and, in many cases, it has been ignored by foreign investors.

Despite these examples of regional integration, the lack of streamlined and fully integrated transport and logistics facilities throughout the region often makes it less expensive to ship products from one ECOWAS country to another via Europe than directly. The trip between Lagos and Abidjan – 600 miles that elsewhere would take a truck a day or so – can take up to a week, with countless hassles and costs along the way.

To ship from one ECOWAS country to another is often cheaper via Europe

In addition to transportation costs, businesses also face significant legal barriers. Francophone countries have gone a long way to standardise business laws and practices, which makes it easier to have business affiliates under one corporate umbrella and smooth out the movement of goods between these countries. However, the difficulties and too often blatant corruption at border crossings make it impractical and uncertain to produce in any one country with a view to exporting into the common market.

Boardrooms can be blind to geography. They just want results and predictability. As such, the single largest deterrents to intraregional trade are formal and informal tariff barriers and unpredictable policies.



In today's ultra-competitive world, industries must be able to grow to get the benefits of economies of scale. On the ground, this is not a reality in West Africa outside of Nigeria.

Infrastructure deficits adversely impact landlocked economies that rely on coastal countries for imports and exports. This, along with expensive and uncertain electricity provision, fractured markets and very difficult and unreliable border crossings, spells a death knell for market competitiveness.

It is not all doom and gloom, however. The implementation of the CET policy will begin to address these challenges as the size of domestic markets grows with the urbanisation and purchasing power of the growing 'consumer' class. What continues to be sadly lacking is strong political will to create a free-flowing common market. There must be a realisation that the world truly is one competitive marketplace and that maximal benefit must be drawn from the strength of economic blocs.

My role with the IGD is to help facilitate business investment throughout the continent. In conversations with sustainable building company International Green Structures (IGS), we clearly saw the logistical challenges that hinder investment. IGS considered building a manufacturing plant in Ghana and shipping goods to Côte d'Ivoire. The two countries share a border, and trade between them would give the company access to a larger market with a range of consumers. In reality, it was not as simple as it may have seemed. The cost and – particularly – the uncertainties of regular cross-border transport, not to mention the risk associated with using different currencies, proved to be a daunting challenge.

As director of the board at IGS, I argued instead for setting up the plant in Côte d'Ivoire and expanding into Mali, where there is some semblance of a common market in the *Union Economique et Monétaire Ouest-Africaine*. That was just one business decision that went against West Africa as a whole and Ghana in particular. How many more of these can be prevented?

To create an interconnected regional market, there must be standards, laws, regulations and contracts that allow goods to move freely. But, naturally, national priorities come to the fore. Beyond security matters, where we have seen collaboration in Liberia, Sierra Leone, Mali and Nigeria, ECOWAS countries tend to compete internationally when it comes to attracting foreign investment.

Government officials often use declarations about common markets to argue for job creation and economic growth. Yet while working with trade ministers across the region, I discovered that too many of them were unwilling to pursue policies that could increase business-driven development.

Behind closed doors, a lack of political will means that nothing will be done. To bring investment into Africa, we need trade ministers to go beyond rhetoric and turn their ideas into action. ●