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New Regionalism in the Developing World: Comparative Study between ASEAN Free Trade Area (AFTA) and UEMOA Common Market

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Abstract: This article examines the dynamics at regional level that have been influencing and shaping the course of regional integration process in Southeast Asia and West Africa since the early 1990s. The winding down of the Cold War led to the revival of interest in regional arrangements elsewhere, especially in many parts of the developing world, where regional schemes have been emerging while efforts to strengthen the existing ones have been going on. Using the particular case studies of AFTA and UEMOA Common Market, the paper argues that beyond the direct impact of the proliferation of regional blocs elsewhere and the dynamic effects of globalization, which induce tight competition for production locations, trade shares, stock market capital and foreign direct investment (FDI), the adoption, acceleration and consolidation of AFTA and UEMOA Common Market schemes, mostly respond to the necessity to balance the FDI diverting effect and the growing ascent of emerging China and Nigeria to regional power. The logic of balance-of power and the imperious necessity to get an international audience in the globalization era compel ASEAN and UEMOA leaders to undertake important regional integrative initiatives and policies conducive to create a single and competitive regional bloc respectively within Southeast Asia and West Africa.

Keywords: New regionalism, Developing world, AFTA, UEMOA Common Market, Regional emerging powers, regional leadership competition.

Introduction

Over the past four decades, the world economy has been witnessing a proliferation of regional integration schemes. This phenomenon, perceptible in the 1950s and 1960s through the establishment of the European Economic Community (EEC) and regional groupings initiated by developing countries, notably the newly independent ones, has intensified dramatically from the end of the Cold War, with multiplication of regional integration blocs all over the world. The resurgence of interest in regionalism, at this stage, has had a particular echo in the developing world where there has been a rising of movements to harmonize or unify economic policies, to promote liberalization or other forms of cooperative regional arrangements. As Bach put it, “acronyms were updated, founding charters refurbished, mandates turned to new ambitions, etc” (2005, p.178).

Thus, in June 1990 began the process of rebuilding and reforming the Central American integration within a new regionalist conception, aiming not only to consolidate a ‘Central American Economic Community’, but also and above all to integrate the world

economy (Sanchez, 2003, p.35). In East Asia, the Association of Southeast Asian Nations (ASEAN), well known as a regional grouping struggling since its inception (1967) to embrace an effective regional economic cooperation, has switched to improving regional trade flows at a higher level by concluding in January 1992 the ASEAN Free Trade Area (AFTA) agreement. In the same optic, was signed the Declaration and Treaty establishing the new Southern African Development Community (SADC), with principal objectives to “give the organization a legal and more formal status” and above all “to shift the focus of the organization from co-ordination of development projects to a more complex task of integrating the economies of member States”.¹ Likewise, in West Africa, the leaders of ex-French colonies, gathered in Dakar (Senegal) in January 1994, created the West African Economic and Monetary Union (UEMOA) with a series of programmes amidst which they decided to set up a Common Market.

Subsequently, efforts to speed up and consolidate regional integrative arrangements were perceptible among the participating countries. Bach correctly noted that “more recently, pressures for greater transparency has prompted the development of website, with the result being a new capacity to circulate information on decisions, programmes and ambitions” (*idem*). Particularly in West Africa and Southeast Asia, member governments were committed to sustaining their respective liberalization projects, to speeding up their pace and to widening their scope. Indeed, throughout the decade 1990s till the early 2000s, commitments to advance tariff liberalization were forthcoming, while programmes were developed to address non-tariff barriers and facilitate free trade within both regions through a range of supporting programmes.

The resurgence of regionalism in Southeast Asia and West Africa since the last decade has aroused the interest of scholars. Most of them dealing with the new wave of regionalism in these parts of developing world centered their approaches and analyses on global systemic factors, especially changes occurring in the international economic environment. Yet, approaching from global systemic dyads the main dynamics driving the new wave of regionalism since the 1990s is very limited and approximate, especially in the developing world where both the end of the Cold War and the triumph of capitalism led to profound re-composition of geopolitical and geo-economic landscapes. In that optic, this article seeks to provide an analytical framework for a comprehensive assessment of the main dynamics driving the regional integration process in Southeast Asia and West Africa, in this globalization and post-Cold War era, by highlighting the importance of regional dyadic competition.

To this end, the following couple of questions need to be addressed: Firstly, what kind of initiatives, policies and programmes have the ASEAN and UEMOA leaders adopted under AFTA agreement and UEMOA CM proposals in embarking on liberalization process? Secondly, how regional economic and leadership competition from neighboring emerging powers (China and Nigeria), has been influencing the course of these programs and policies?

¹ - SADC Secretariat, “SADC history, evolution and current status” (<http://www.sadc.int/english/about/history/index.php>).

To answer the above questions, the paper is organized as follows: in order to draw an analytical framework for this article, the first section surveys scholars' literature on determining factors that explain the acceleration and consolidation of regional integration processes within ASEAN and UEMOA blocs. The second and third sections examine the initiatives, policies and programmes respectively adopted by the ASEAN and UEMOA leaders in embarking on liberalization under AFTA and UEMOA CM, as well as the regional dyads influencing the course of these respective schemes. The fourth section covers a comparative analysis and the conclusion summarizes the main arguments defended in this paper.

1 - The Literature on Regionalism in Southeast Asia and West Africa since the early 1990s: Strengths and Limits

The growing importance of regionalism, since the end of the Cold War, has carried in its trail a voluminous body of literature. The adoption of the North American Free Trade Agreement (NAFTA) the consolidating process of economic integration in Europe, the adoption of ASEAN free trade agreement, the creation of UEMOA and Mercosur led to widespread explanations of the causes and implications underlying the formation and consolidation of various regional arrangements. Many of scholars involving these debates centered on international politics and international economics approaches to explain the new wave of regionalism.

1.1 – International politics approaches

Emphasizing their interpretation on power, security and survival as central variables, scholars defending international politics approaches analyzed the formation of regional groupings as strategic responses to political power competition, formulating no difference between political/strategic regionalism and economic regionalism (Hurrell, 1995, p.49). In this connection, Buszynski (1997, p.557) explained the ASEAN free trade agreement as an economic instrument that ASEAN members adopted to give the Association new political purpose after the end of US-Soviet confrontation and the resolution of the Cambodian crisis, and to provide the foundation for Southeast Asian regionalism in the 1990s. Ravenhill (1995, pp.850-56) developed similar argument, in observing that the demise of the Soviet Union removed a potential external threat and offered to the Association the opportunity to seek a new *raison d'être* at that period when growing regional arrangements elsewhere posed another potential threat to its development. In this international politics interpretation of events, receding superpower confrontation between the United States and the Soviet Union from the late 1980s reduced not only the strategic significance of ASEAN to external powers, particularly the US, but also weakened the utility of the Association to its own members.

With respect to West Africa, Paoloni observed that the adoption of the Maastricht Treaty in 1992 launched the transition of the French franc – as many other West European national currencies - to the “euro”. Hence, the perspective for European Union countries to move to a single currency in 1999 raised a puzzle question of whether “when the *euro* takes

over from *French franc* there will be a mechanism for fixing the parities of the *CFA franc* in the relation with *euro*” (1996, pp. 38-40). Indeed, since the common currency used by West African Francophone states (*CFA franc*) is pegged to the *French franc* and its convertibility is guaranteed by the French Treasury, concerns have been raised over the ability of the latter to maintain an unlimited convertibility guarantee in the long term. More importantly, how to be able to profit from the advantages which the French Treasury will gain from the single currency (*euro*) in terms of lower interest rates and access to the “euro” market became a veritable concern for the countries which use the *CFA franc* (Ibid. p. 40).

These diverse reasons accounting for the decision by respective regional governments to adopt AFTA agreement and to create UEMOA are certainly plausible, given the critical international politico-economic environment in the early 1990s. However, these factors are less capable of explaining why the original scopes of AFTA and UEMOA CM were sustained and expanded further to other strategic and contentious sectors. The international politics interpretation of AFTA and UEMOA CM leaders’ commitment is virtually limited by its realist tendency to consider the actions of state actors as driven purely by global systemic forces. More importantly, the international politics approaches failed to identify that the end of the historic confrontation between the United States and the Soviet Union from the late 1980s has led to the emergence of new regional hegemonic powers like China and Nigeria, whose growing influence and aspiration for regional leadership and profound economic reforms, triggered the surrounding weaker States’ commitment to setting up a counter-balancing regional bloc. Walt’s balance-of-power theory² explains well this realistic trend.

Beside the international politics approaches, other scholars analyzed the adoption of AFTA agreement and the creation of UEMOA from international economics approaches.

1.2 - International economics approaches

A body of studies has attempted to explain efforts to speed up and consolidate regionalism in Southeast Asia and West Africa since the early 1990s, by using insights from a range of theoretical traditions in international economics. These studies may be classified into two tendencies: trade-centred explanations and FDI-centred explanations.

The trade-centred explanations of the proliferation of regional blocs are defended in Denoon and Colbert’s political economy approach. In considering the low rate of intra-ASEAN trade in the late 1980s (17.4%), they observed that the end of the Cold War offered to the grouping the opportunity to undertake the enlargement of its membership, and to seek economic integration. From their perspective, the desire to take better

² - This theory was developed together with ‘balance-of-threat theory’ by Stephen Walt in 1987 to provide a realist explanation of regional cooperation in the Persian Gulf, with special emphasis on the Gulf Cooperation Council (GCC) created in 1981 (by Saudi Arabia, Kuwait, Qatar, the United Arab Emirates, and Oman) in response to the suddenly threatening Iran to the Gulf regimes. According to balance-of-threat theory, States’ alliance behavior is determined by the threat they perceive from other States. Walt contends that States will generally balance by allying against a perceived threat, although very weak States are more likely to bandwagon with the rising threat in order to protect their own security (S.M. Walt, 1987). This theory was defended later by S. Cooper and B. Taylor (2003, pp. 105-24).

advantage of a regional market of 300 million people was an important motive behind ASEAN leaders' efforts to speed up and establish AFTA (1998, pp. 505-23). This stimulus, according to them, was reinforced by what ASEAN leaders saw as the movement toward regional trading blocs represented by the EU and NAFTA.

With regard to West Africa, Gambari (1991, pp.39-40) observed that the percentage of West African total external trade is the smallest of all other world regions, and specified that the most commonly figures used to evaluate this record indicated a proportion between 2.2% to 3.3%. The reasons of this poor record of intra-regional trade, according to Paoloni (1996), Vallejo (2001, p.535) and Dennis & Brown (2003, pp.229-249), were ascribed to the diversity of currencies and economic systems, taken together with the fact that the national economies in the subregion are competitive rather than complementary. Under the circumstances, the franc-zone countries in West African area could take advantage over these diversities and promote efficient market liberalization among themselves by creating and consolidating a regional economic and monetary bloc, for they use a common language, a common currency, and have administrative and financial structures modeled along similar lines.

This trade-centred explanation constitutes a useful corrective to international politics interpretations that emphasize only systemic factors. However, this approach, focused on exchange or trade relations as incentive factor triggering the adoption of AFTA agreement and the creation of UEMOA, is limited in neglecting the investment dimension. In contrast to trade-centred explanations, other scholars interpreted the proliferation and consolidation of regional economic arrangements from the early 1990s, particularly in the developing world, in terms of strategic option to increase their ability to attract FDI. Thus, a central component of the neoliberal development strategy, which became popular in the post-Cold War era, was the attraction of FDI to promote export-led growth and, also, to enable privatization to take place (Bowles, 2000, p. 438). In this logic, Bowles observed that regional grouping of developing countries offered the possibility of attracting such capital inflows since a group of countries together offer a more attractive package than a single country.

As such, the single regional market project was regarded as a means to of the ASEAN countries to attract FDI that, at the beginning of the 1990s, appeared in danger of being diverted to other newly emerging markets (Bowles & MacLean, 1996, p.336; Chia, 1998, p.218; Low, 1996, p.198; Ravenhill, 1995, p.854). Their perspective is correct in that the proliferation of regional trade blocs elsewhere in the developing world will obviously lead to FDI diversion. Likewise, by using the same currency, risk and transaction costs are reduced within the UEMOA zone, and this could help stimulate investment and growth (Medhora 1996, p.251). Medhora's argument is consistent with that one defended by Bach (1983, pp. 605-23) to explain the creation in 1973 of the West African Economic Community (CEAO). From Bach's perspective, the main reason why the francophone countries had supported the creation of CEAO had been their belief that it would promote the growth of a wider market which would attract foreign investors. Thus, in these scholars' viewpoint, understanding the development of AFTA and UEMOA CM process resides in the political economy of FDI. Although their approach is relevant, it only

emphasizes the influence of global FDI trend, thereby neglecting the growing ASEAN and UEMOA leaders' concern over the increasing volume of FDI flowing into neighboring powers (China and Nigeria) at the expense of their national economies.

In sum, neither the international politics approaches centred on systemic pressures nor the international economic theories centred on trade and FDI, are sufficient to explain the main dynamics driving the acceleration, expansion and consolidation of AFTA and UEMOA Common Market processes. Because emphasizing their perspective only on global systemic factors, most of scholars dealing with the resurgence of regionalism in Southeast Asia and West Africa in the post-Cold War era failed to capture that the growing competition from neighboring emerging powers - China and Nigeria – for production locations, trade shares, stock market capital and FDI, is likely to keep them from getting an international audience. The following sections highlight the importance of regional dyadic competition.

2 - ASEAN Free Trade Area (AFTA)

2.1 – AFTA Proposals

The ASEAN is a regional grouping composed of ten member countries.³ At the Fourth ASEAN Summit held in Singapore in January 1992, the member governments adopted the Agreement on AFTA; free trade area understood as a form of regional economic integration, where the participating nations remove all trade impediments amongst themselves but retain their freedom with regard to the determination of their own policies vis-à-vis the outside world. Introduced in January 1993, the primary objectives of AFTA Agreement were to liberalize trade within ASEAN through progressive tariff reductions on selective products, facilitate the integration of ASEAN as a market and a competitive production base, and attract increased levels of foreign investment.⁴ The initial AFTA programme provided for a reduction on intra-ASEAN trade barriers to tariffs (ranging from 0 to 5%) and removal of non-tariff barriers from 1 January 1993 to the revised target date of 2003⁵, the whole programme designed to be achieved via the Common Effective Preferential Tariff (CEPT) scheme.

2.2 – The process of AFTA implementation

Two important aspects characterized the process of AFTA implementation: (i) the acceleration of AFTA project, and (ii) the expansion and consolidation of its initial scope.

2.2.1 – The acceleration of AFTA project

³ - The Association was created on August 8th 1967. Its founding members are Indonesia, Malaysia, The Philippines, Singapore, and Thailand. Brunei joined them on January 7th 1984. The grouping's membership was expanded to four new members within the 2nd half of the 1990s: Vietnam (July 28th 1995), Laos DPR and Myanmar (July 23rd 1997), and Cambodia (April 30th 1999).

⁴ - Exhibit No 60, ACCI, *AFTA: What's in it for Australian Business?*, October 1997, p. 3

⁵ - The original target date of 2008 was revised to 10 years by ASEAN Economic Ministers (AEM) at the September 1994 meeting.

The inception of AFTA project on 1 January 1994 was immediately supported by the member governments who agreed to implement the CEPT programme of tariffs reductions as of that date. This good sign for AFTA implementation by ASEAN countries was evident not only in the increasing number of items included in the CEPT product lists, but more importantly in consistent efforts to speed up the AFTA process through the tariff disarmament. Indeed, as of 1 January 1994, of the total of just over 15,000 tariff lines identified by the member states, more than 88 % were included in the CEPT (ASEAN Secretariat, 1994).

To back this commitment of ASEAN members to include more items in the CEPT product lists, five improvements to AFTA⁶ were adopted at the Bangkok Summit on 15 December 1995. In particular, the 0-5 % CEPT target for manufactured goods was re-scheduled, to be reached by January 2003 instead of 2008; the ASEAN Economic Ministers (AEM) developed trade facilitation programmes and adopted measures to reduce NTBs (Chirathivat, 1996, pp. 35-36; Nesadurai, 2003, p. 59); AFTA's initial scope was further expanded as new issue areas⁷ namely services, investment and industrial production were brought under its ambition for regional cooperation; member governments agreed to develop a regional mechanism to protect intellectual property⁸ as well as a mechanism for dispute settlement in AFTA⁹.

In December 1997, at the Second ASEAN Informal Summit held in Kuala Lumpur, a further set of advances to AFTA commitments occurred after the Asian financial crisis began in July 1997 (Nesadurai, 2003 pp.62-63). Notably the ASEAN leaders recommended the acceleration of the both CEPT and AIA. In October 1998, the Twelfth AFTA Council agreed to accelerate the implementation of AFTA by calling on member governments to reduce as many tariff lines as possible to 0 % by 2003. A year later, in November 1999, the ASEAN leaders committed themselves to eliminating all tariffs and import duties by 2010 for ASEAN-6 and by 2015 for ASEAN-CLMV¹⁰ (ASEAN Secretariat, 2002). The good sign for AFTA implementation was also perceptible in tariff disarmament.

The tariff disarmament was unfolded through two channels: the CEPT tariff liberalization and the reduction of non tariff barriers (NTBs). The achievements of AFTA regarding the CEPT tariff liberalization were substantial. By 2004, more than 99 % of the products in the CEPT Inclusion List of ASEAN-6, comprising Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand, were brought down to 0-5 % tariff range (**figure 2**). This percentage, as of 1 January 2005, slightly decreased to 98.98 % (**figure 1**).

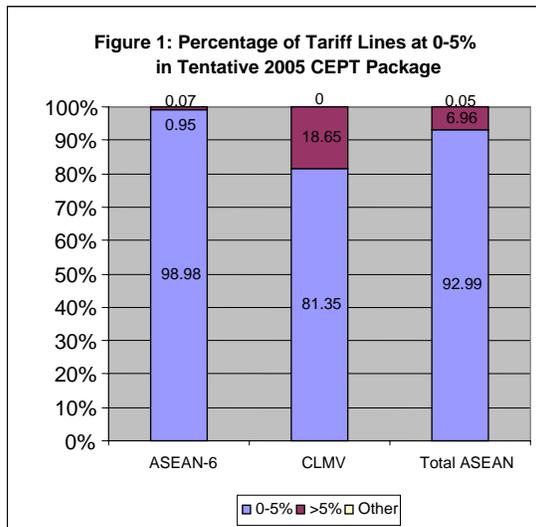
⁶ - ASEAN Secretariat 1995, *The Bangkok Summit Declaration of 1995; Protocol to Amend the Agreement on Enhancing ASEAN Economic Cooperation; Protocol to Amend the Agreement on the CEPT scheme for the ASEAN Free Trade Area; ASEAN Framework Agreement on Services; ASEAN Framework Agreement on Intellectual Property Cooperation*, Bangkok, 15 December 1995.

⁷ - The ASEAN Framework Agreement on Services (AFAS); the ASEAN Investment Area (AIA); and the ASEAN Industrial Cooperation Scheme (AICO).

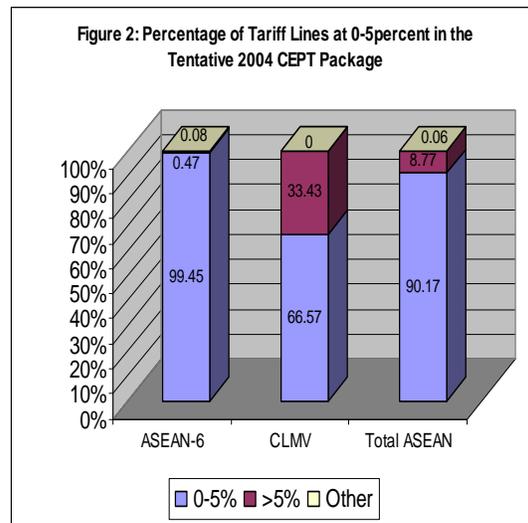
⁸ - ASEAN Secretariat 1995, *ASEAN Framework Agreement on Intellectual Property Cooperation*, Bangkok, 15 December 1995

⁹ - ASEAN Secretariat 1995, *The Bangkok Summit Declaration of 1995*, Bangkok, 15 December 1995

¹⁰ - The ASEAN's four newer members: Cambodia, Laos, Myanmar and Vietnam.



Source: ASEAN Secretariat 2005, *Annual Report 2004-2005*, p. 25



Source: ASEAN Secretariat 2004, *Annual report 2003-2004*, p.17

Consequently, the average tariff for ASEAN-6 phased down from 12.76 % in 1993 to 1.51 % in 2004, increased to 1.93 % in 2005.¹¹ In 2005, 64.12 % of products in the IL of these countries have zero tariffs. This percentage, compared to the 2004 achievement, remains constant. Overall, by 2005, 92 % of all products in the IL of the ten member countries (ASEAN-10) have tariff between 0-5 % (ASEAN Secretariat, 2005, p. 25). As of 1 January 2005, 86.91% of their products traded in the region have been moved into the CEPT Inclusion List, up from 80 % in 2003/2004. Of these items, 81.35 % already have tariffs within the 0-5 tariff band (**figure 1**), up from 66.57 % in 2003/2004 (**figure 2**). In sum, from 1994 to 2005, ASEAN countries made significant progress in phasing down tariff under the CEPT framework. Similar efforts were perceptible regarding the reduction of non-tariff barriers, where ASEAN governments completely eliminated by the end of 1996 customs surcharges, while technical NTBs were to be addressed through programmes promoting transparency and harmonization as well as through mutual recognition arrangements (Nesadurai, 2003, p. 70). This rapid tariff disarmament encouraged the member governments to expand and consolidate AFTA's initial project.

2.2.2 – Expansion and consolidation of AFTA project

At their Fifth ASEAN Summit held in Bangkok in December 1995, the member governments committed to expanding AFTA's initial scope through a range of supporting programmes. To consolidate all this process, they defined in October 2003 at their 9th Summit the ASEAN vision 2020 aimed at establishing the ASEAN Economic Community.

Regarding the expansion of ASEAN initial project, three potential and strategic sectors were identified by the member countries to back the liberalization under AFTA's initial scope, namely industry, investment and services. Basic agreements were consequently signed to promote the regional cooperation in each sector. The *Basic*

¹¹ - ASEAN Secretariat, *Annual Report 2003-2004*, p. 17 / *Annual Report 2004-2005*, p. 25

*Agreement on ASEAN Industrial Cooperation Scheme*¹² (AICO) was signed by the ASEAN Economic Ministers and this regional project launched in April 1996. Actually, the AICO was instituted as a way to accelerate trade liberalization for specific products trade between particular firms engaged in transnational production in ASEAN without the need to alter the general liberalization schedule outlined in the CEPT (Nesadurai, 2003, p. 61). Similarly, following the Bangkok Summit, ASEAN members began developing a long-term project to increase levels of intra-ASEAN investment, to further enhance the region's capacity higher and more sustainable levels of FDI flows by gradually eliminating national investment restrictions in favor more liberal rules for investors. To this end, the *Framework Agreement on the ASEAN Investment Area* was signed in October 1998 by ASEAN economic ministers.¹³ The regional cooperation in services inspired the *ASEAN Framework Agreement on Services* (AFAS), signed in December 1995, aiming at liberalizing trade in services within ASEAN, while its goal was to eventually establish an ASEAN free trade area in services by 2020 (ASEAN Secretariat, 1995, p. 31). The AFAS committed member governments to further negotiations to liberalize seven key service industries, namely finance and bank, tourism, telecommunications, shipping, air transport, construction and business services.¹⁴

The Bali Concord II signed at the 9th ASEAN Summit held in October 2003 inaugurated the ASEAN Vision 2020, where ASEAN leaders agreed to establish the ASEAN Economic Community (AEC) based on the elimination of remaining tariff and non-tariff barriers (NTBs) between member states by 2020. Envisioned as the next stage and end-goal of regional economic integration beyond AFTA, the AEC project aims at establishing ASEAN as single regional market and production base in Southeast Asia, turning the diversity that characterizes the region into opportunities for business complementation to make the ASEAN region a more dynamic and stronger segment of global supply chain.

To this end, a number of strategies have been adopted. Firstly, ASEAN members have already committed strengthening the institutional mechanisms of ASEAN, notably the improvement of the existing Dispute Settlement Mechanism (DSM) to ensure expeditious and legally binding resolution of any economic dispute. The second step towards the realization of the AEC foresees to remove by 2010, to the extent feasible and agreeable to all member countries, barriers to free flow of business persons, goods, services, skilled labor and talents, and a freer flow of capital, along with equitable economic development and reduced poverty and socio-economic disparities within and across its member states. More specifically, indicates the 2004-2005 ASEAN annual report ASEAN (Secretariat 2005: 24-25), member countries agreed to advance the elimination of tariffs on 85% of the products in the priority sectors by three years ton 2007 for ASEAN-6 and to 2012 for the CLMV. These deadlines are three years early than the deadlines of 2010 (for the ASEAN-6) and 2015 (for the CLMV) under the ASEAN Free Trade Area (AFTA).

¹² - ASEAN Secretariat 1996, *Basic Agreement on the ASEAN Industrial Cooperation Scheme*, Singapore, 27 April 1996.

¹³ - ASEAN Secretariat 1998, *Framework Agreement on ASEAN Investment Area*, Manila, October 8th 1998.

¹⁴ - ASEAN Secretariat (1995) *ASEAN Framework Agreement on Services*, Bangkok, 15 December 1995.

In sum, the AFTA process has been marked by the extension of its initial scope to include strategic cooperation activities and projects, backed by an eager will of ASEAN leaders to endow the community with a veritable institutional mechanism. But fundamentally, how regional economic and leadership competition from China as neighboring emerging power has been influencing the programs and policies adopted and implemented by ASEAN countries?

2.3 – The AFTA process in the context of regional economic and leadership competition from China

A number of factors stemming from global systemic level have influenced the implementation of AFTA process, as explained in literature review. However, other important ones deriving from regional level merit particular attention. Indeed, the end of 1990s witnessed China as one of the world emerging economies. Indeed, throughout the last decade, and in the perspective of its accession to the WTO, China has accelerated and deepened its economic reforms, which led to the growth in export-oriented FDI (from Hong Kong, Macau and Taiwan) and local-market oriented FDI (from the U.S., Western Europe and Japan). The end of the 1990s witnessed the emergence of China as one of the most important destinations for FDI, which increased from US\$ 26 billion in 1993 (**Table 1**) to US\$ 403.98 billion in 1999 (Buckley, Clegg & Wang, 2002, p. 637). The **table 3**, which records the FDI movements during the period 1988-1993 in selected Asian economies, illustrates well the degree of ASEAN member States' concern in the early post-Cold War era. A closer observation of the table reveals that, in the period 1988-1991, average annual flows into Southeast Asia were greater than the flows into China. However, the reverse happened in 1992 and since then, the gap between the two flows has expanded with quite double flows records annually into China.

Table 1: Foreign Direct Investment in Selected Asian Economies, 1988-93

(In US\$ million)

| SELECTED ECONOMIES | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1988-93 |
|---------------------------------|--------------|-------|-------|-------|---------------|---------------|---------------|
| Newly Industrializing economies | 5,485 | 5,249 | 7,620 | 7,275 | 8,159 | 8,262 | 42,050 |
| South Korea | 871 | 758 | 715 | 1,116 | 550 | 516 | 4,526 |
| Singapore | 3,655 | 2,887 | 5,575 | 4,888 | 6,730 | 6,829 | 30,564 |
| Taiwan | 959 | 1,604 | 1,330 | 1,271 | 879 | 917 | 6,960 |
| China | 3,194 | 3,393 | 3,487 | 4,366 | 11,156 | 26,000 | 51,596 |
| Southeast Asia | 3,336 | 4,688 | 6,399 | 8,038 | 8,590 | 8,739 | 39,790 |
| Indonesia | 576 | 682 | 1,093 | 1,482 | 1,777 | 2,004 | 7,614 |
| Malaysia | 719 | 1,668 | 2,332 | 3,998 | 4,469 | 4,351 | 17,537 |
| Philippines | 936 | 563 | 530 | 544 | 228 | 763 | 3,564 |
| Thailand | 1,105 | 1,775 | 2,444 | 2,014 | 2,116 | 1,621 | 11,075 |

Source: Abstracted from Asian Development Bank (1995), Table 1.3, p.17 (In Joseph L. H. Tan (1996) "Introductory Overview", in Mohamed Ariff et al. (eds) *op. cit.*, p.3)

A number of factors explain that huge gap. While the first trend of FDI is encouraged by China's cheap labor and multinational enterprises' advantages in labor-intensive production, the second one is motivated by China's potentially huge market, by

external trade barriers and by Western attempts to internalize technological advantages. More specifically, Chinese authorities have facilitated local-market oriented FDI inflows by adopting a technology import programme which encouraged technology transfer and has been implemented within the framework of a strict and selected industrial policy (Andreosso-O'Callaghan & Qian, 1999, p. 139).

Thus, foreign firms, especially those from EU, involved high-technology transfer either to their own joint ventures or with their Chinese counterparts. Motor vehicles, chemicals and energy are some of industrial sectors in which EU firms have already a competitive edge over their American and Japanese counterparts on the Chinese market.

The motor vehicles industry is one of China's twelve priority industries as stipulated in the country's industrial development plan for the 1990s. In 2000, China's car market became a hot spot for world manufacturers because of its huge potential, rapid development and improved investment climate. The exponential development of automobile industry in China constitute a serious threat for Southeast Asian auto markets in the terms of competition, for this sector plays a vital role in Southeast Asian economies and vehicles made in China are sold cheaper. The adequate response to this threat consists of "mutual recognition of the harmonized standards, development of harmonized nomenclatures and procedures, adoption of harmonized product and qualification standards, etc."¹⁵

Besides the motor vehicles industry, the chemical industry is one of China's economic pillar sectors. Its petrochemical and pharmaceutical sub-sectors are of vital importance to China's advance towards economic modernization. During the 1990s, entry competition on the Chinese market has been fierce. Indeed, by the end of 1994, there were 5450 foreign-funded chemical industry ventures in the country, involving a combined FDI of US\$ 5.62 billion, which made up 4.7% of the nation's total stock (Andreosso-O'Callaghan & Qian, 1999, pp. 136-37).

While China's economic performance was increasing in the late 1990s, backed by massive FDI inflows, the outbreak of the 1997 Asian financial crisis offered to China the opportunity to assert and strengthen its regional economic leadership. Indeed, the regional dimension of the crisis' effects exposed many East Asian countries, especially ASEAN member states, to a sharp depreciation in their currencies and, consequently, led to massive withdrawal of short-term foreign capital, the top Chinese leaders pledged themselves to maintaining a stable *renminbi* (RMB). This commitment received considerable praise from the international community who acknowledged the RMB as a "pillar of stability" in the region (Li, 2000, p. 938) and thereby the leading role China has taken in promoting economic stability and openness in Asia (Yang, 2001, p. 28). Taken together with its prowess in attracting FDI, China's increasing role in promoting Asian economic stability provides incentives for its regional competitive leadership and weakens ASEAN' status as regional influent grouping.

¹⁵ - ASEAN Secretariat (2003) "The programme thrust to pursue Regional Economic Integration" (<http://www.aseansec.org/14419.htm>).

On the other hand, after 15 years of marathon talks, the final deal for China's World Trade Organization (WTO) membership was concluded in 2001 and China became a WTO member on December 11. In the world of economics, membership in the WTO clearly marks a milestone in China's integration into the regional and global economic order, in that it increases the global competition ASEAN is facing not only to attract FDI inflows but also to have privileged access to all important US and European markets, and these factors dilute the advantages ASEAN members once had. Therefore, the sole alternative for ASEAN to counterbalance China's regional competitiveness is to accelerate the pace towards the creation of a regional integrative market. Undoubtedly, this challenge triggered the adoption of the Vientiane Action Programme in 2003 specifying ASEAN's activities to realize the ASEAN Economic Community by 2020. One year before, at the Wef East Asia Economic Summit 2002 held in Kuala Lumpur, Singapore Prime Minister Goh Chok Tong publicly voiced ASEAN worries about China's regional emerging competitiveness when he stated:

ASEAN has to deal with the challenges and opportunities posed by a rising China. China has drawn in proportionately more investments than ASEAN after 1997. Rightfully, we should not be seeing such a trend. ASEAN has a combined population which is half that of China's. It is not a negligible market. ASEAN opened its economies to foreign investors, years before China did. Its economic institutions were more developed than China's. But push factors have reduced FDI inflows into ASEAN, as much as China's pull factor has.¹⁶

In this view, the recent China-ASEAN FTA proposed by China in late 2000 and formally endorsed by ASEAN in November 2001, should be analyzed in terms of promotion of economic interdependence and insurance against the predation of conflicts in a region where various Asian dyadic rivalries remains unsolved. As Nesadurai correctly noted, "it would have been difficult to reject the Chinese proposal, given the ASEAN countries' desire to engage with China on political and security issues. In clear, the acceleration of liberalization and economic reforms in China magnified by the country's accession to WTO led to the emergence of regional strategic and competitive industries, as well as FDI diversion. These developments at regional level constitute a potential challenge for Southeast Asian economies and explain the acceleration of AFTA process, the expansion of the grouping's membership to Indochinese countries, the adoption of AFTA-plus programme as well as the definition of ASEAN vision 2020. The next section examines the UEMOA CM process.

3 – UEMOA Common Market (UEMOA CM)

3.1 – UEMOA and UEMOA CM proposals

The UEMOA is a regional grouping of eight countries¹⁷ created in January 1994, with a population of roughly 68.2 millions inhabitants. Resulting from the merger of the

16 - See Keynote addressed by Singapore Prime Minister Goh Chok Tong at the Wef East Asia Economic Summit, on Tuesday, 8 October 2002, in Kuala Lumpur (Malaysia). "Deepening Regional Integration and Cooperation", ASEAN Secretariat 2003 (<http://www.aseansec.org/12321.htm>).

17 - The founding member states of UEMOA are Benin, Burkina Faso, Cote d'Ivoire, Mali, Niger, Senegal and Togo. Guinea Bissau joined the grouping on May 2nd 1997.

existing West African Monetary Union (UMOA created in 1962) and West African Economic Community (CEAO created in 1973), the creation of UEMOA aims at achieving five fundamental objectives¹⁸, namely (i) encourage competition in an open and competitive market within a secured environment; (ii) achieve convergence between policy and macro-economic policy indicators; (iii) create between the member states a Common Market based on a common external tariff, a common trade policy, free movement of persons, goods, services, capitals, right of settlement for people exerting a liberal or wage activity; (iv) coordinate national sectoral policies through the implementation of common actions and policies; (v) align, as far as possible to the perfect operationalization of the Common Market, the member countries' budgetary and fiscal regimes.

Closely analyzed, all these objectives converge towards the realization of one and unique programme: the creation of an *economic union*¹⁹ that will be progressively realized through the establishment of a regional Common Market as its key-vehicle. The Common Market is a Customs Union within which to the free movement of goods is added the free movement of the factors of production, namely labor, capital and enterprise. In order to achieve the main objectives of the Union through the establishment of a regional Common Market, the member States defined and adopted a series of regional mechanisms and policies. General provisions on the Union's Common Market, aimed at progressively realizing the following objectives (art. 76, UEMOA Treaty): (i) suppression, on exchanges between member countries, of customs duties, quantitative restrictions on import and export, taxes generating equivalent effects or all other measures generating similar effects, susceptible of affecting those transactions, without infringing the Union's rule of origin which will be specified by way of additional protocol (articles 77-81); (ii) agreement on an external common tariff (TEC) (articles 82-86); (iii) institution of common rules of competition applicable to State and private companies as well as to government aid (articles 88-90); (iv) implementation of principles fostering free movement of persons, freedom to establish and provide services, as well as those inherent to free movement of capital, indispensable for the development of the regional financial market (articles 91 & 92); and (v) harmonization and mutual acceptance of technical norms as well as homologation and certification procedures related to the control of their implementation.

A close analysis of UEMOA Common Market proposals, taken together with the basic objectives defined in the UEMOA Treaty, reveals a serious ambition of West African Francophone leaders to set up a homogenous regional bloc resting on solid legal and institutional basis. The next paragraph examined the implementation process.

3.2 – The process of UEMOA CM implementation

The process of UEMOA CM implementation has been marked by a number of commitments that may be assessed in two dimensions: (i) the adoption of appropriate programmes, policies and regulations to back and accelerate the realization of the project; and (ii) the expansion and consolidation of the initial scope to speed up the establishment of this regional single market.

¹⁸ - Article 4, Treaty on the West African Economic and Monetary Union (UEMOA).

¹⁹ - The economic union is a common market in which there is also a complete unification of monetary and fiscal policy.

3.2.1 – The acceleration of UEMOA CM project

The programmes, policies and regulations adopted by UEMOA members to start out the realization of the Common Market fall into three categories: (i) the establishment of the Customs Union; (ii) the adoption of common trade policy and rules of competition; and (iii) the free movement of persons, services and the right of residence.

The establishment of Customs Union induces the progressive removal of tariff barriers, the adoption of a preferential tariff regime, a common external tariff, as well as a mechanism of compensation of customs receipts depreciations. The transitory preferential tariff regime was adopted on May 10th 1996 at the 1st Session of Assembly of Heads of State and Government²⁰. Entered into effect on July 1st 1996, it aims at increasing the number of products exchanged within the Union, and is designed to lower progressively tariff barriers as follows: (i) from July 1st 1996: immediate suppression of all non-tariff barriers impeding exchanges between the Union's member States; free movement of unprocessed and traditional handicraft goods between the member States, free from customs duties and taxes; reduction to 5% of customs duties and taxes for non recognized originating industrial goods; (ii) from July 1st 1996 to June 30th 1997: reduction to 30% of taxes and customs duties for recognized originating industrial goods covered by the Community Preferential Tax (TPC); (iii) from July 1st 1997 to December 31st 1998: Reduction to 60% of customs duties and taxes for recognized originating industrial goods; (iv) from January 1st 1999 to December 31st 1999: Reduction to 80%, of customs duties for recognized originating industrial goods; (v) from January 1st 2000: Integral tariff disarmament to 100% for recognized originating industrial goods.

By January 1st 2000, the integral tariff disarmament was effective for these products (UEMOA Annual Report, 2000, p. 18). Then started a new transitory period completed on December 31st 2005, the term of which was designed to transfer to the member States the exclusive competence regarding the community rules of origin. Up to that term, 2600 products manufactured within the Union were admitted as originating industrial goods and registered in a unique document. This tariff disarmament within the Union was sustained by the Common External Tariff (CET) adopted in 1997 and entered into force in 2000.

In order to provide the regional liberalization programmes against contingencies inherent to customs receipts depreciations, the member governments adopted on December 8th 1998 the Additional Act No 06/99, instituting a mechanism of financial compensation within the Union (Articles 3 & 7, Additional Act 06/99). This mechanism is scheduled to be implemented for a time-limit of six years from January 1st 2000 to December 31st 2005. To complete the establishment of the Common Market, the member governments adopted a common trade policy designed to promote intra-regional trade, ensure the competitiveness of products originating from the Union in the world market, improve productive capacities within the Union, and protect the Union's production networks against dumping practices

²⁰ - Additional Act No 04/96 of May 10th 1996, enacting a transitory preferential tariff regime of exchanges within UEMOA and its financing modality, modified by Additional Acts No 01/97 of June 23rd 1997 and 04/98 of December 30th 1998 (http://www.uemoa.int/actes/1996/acte_additionnel_04_1996.htm).

and third countries' subventions. To this end, the Union evolved two strategies: (i) negotiations of bilateral and multilateral trade agreements with third parties; and (ii) the community policy of competition²¹ likely to make the UEMOA bloc, not only a promotion area for local enterprises, but also a secured and attractive zone for foreign investors.

In the same logic to speed up the establishment a regional competitive and integrative Common Market, a number of appropriate regulations on free movement of persons, capital, services, as well as the right of residence, were adopted at the 9th Assembly of Heads of State and government, held in Niamey (Niger) on March 30th 2005 (UEMOA 2005 Annual Report, p. 24). Prior to these measures, and with a view to increasing capital inflows into the Union, a Regional Financial Market²² project was signed and assigned three objectives: (i) increase the savings rate by diversifying financial products conducive to creating conditions that generate domestic saving and foreign capital; (ii) strengthen the financial structure of enterprises likely to generate capital over the long term; and (iii) reduce financial intermediation costs by directly tying capital supply to demand.

In sum, since its inception, a number of programmes, policies and regulations have been adopted by UEMOA members to foster the realization of the Common Market. In parallel, this regional liberalization package was expanded to other strategic sectors, while UEMOA 2015 Vision was recently defined to speed up and consolidate the implementation UEMOA CM project.

3.2.2 – Expansion and consolidation of UEMOA CM project

The expansion of UEMOA CM project was adopted by the Authority of Heads of State and Government of the Union on May 10th 1996, through the Additional Protocol No II²³ related to the sectoral policies of UEMOA. Seven (7) sectors were then identified by the member States as important to be promoted by initiating and strengthening efficient and sustainable common policies, with a view to speeding up the economic integration and achieving their efforts to set up a veritable regional single bloc: *development of human resources, transports and telecommunications, environment, agriculture, energy, mining, and regional planning*.

The Regional Planning Policy²⁴ supporting these common sectoral policies aimed at building a stronger Union, more interdependent, more attractive and competitive, consistent with a regional market within which the member countries optimize their comparative advantages. To this end, four major programmes of actions were defined to unfold the

²¹ - Regulation No 2/2002/CM/UEMOA of May 23rd 2002.

²² - UEMOA Regional Financial Market (<http://www.brvm.org/fr/presentation/marche.htm>)

²³ - UEMOA: Additional Protocol II related to the UEMOA sectoral policies (http://www.uemoa.int/actes/1996/Protocole_additionnel_II.htm), modified and completed by Additional Act No IV of January 29, 2003 (http://www.uemoa.int/actes/2003/protocole_additionnel_04.htm).

²⁴ - The UEMOA Regional Planning Policy was adopted by Additional Act No 03/2004 of January 10th 2004 (http://www.uemoa.int/actes/2004/CCE/acte_additionnel_03_2004.htm).

²⁴ - 1) Recommendation No 04/97/CM of June 21st 1997 and 2) Recommendation No 03/98/CM/UEMOA of July 3rd 1998 (<http://www.uemoa.int/chantiers/DatActiv2000.htm>)

UEMOA Regional Planning Policy: promotion of the Community regional planning in member States' public policies (i); acceleration of concerted realization of major community infrastructures and equipments as well as a regional urban framework (ii); space orientation of the development of UEMOA's potentialities, to reinforce the member States' complementarity, competitiveness and better insertion in the regional and world economy (iii); development of community interdependence and reinforcement of social cohesion (iv) (art.6 Additional Act No 03/2004). All these programmes converge towards the UEMOA 2015 Vision.

The adoption of UEMOA Vision 2015 responds to the necessity to speed up the realization of a unified Common Market likely to assert itself as "a dynamic and competitive regional economy which successfully integrates itself into the African and global economies"(UEMOA: 2006 – 2010 REP, 2006, Summary Report, p. 16). This new vision originates from the solemn Declaration entitled "*instilling a new dynamic in the regional integration process*"²⁵ made in January 2004 in Niamey (Niger) at the 8th Assembly of Heads of States and Governments, the contents of which may be summarized as follows: "*Making UEMOA a unified and open space for the benefit of an interdependent population*". In short, the new vision provides the Union with the basis for a new approach to organize the production, the movement of factors of production, goods, services and capital within the region

In sum, the UEMOA Common Market process has been marked by the extension of its initial scope to include the adoption of common policies in strategic sectors as well as the definition of a new vision to speed up the establishment of a single and integrative regional bloc. But fundamentally, how regional economic and leadership competition from Nigeria as neighboring emerging power has been influencing the programmes and policies adopted and implemented by UEMOA member countries?

3.3 – The UEMOA CM process in the context of regional economic competition from Nigeria

A number of factors stemming from global systemic level have influenced the implementation of UEMOA CM process, as explained in literature review. However, other important ones deriving from regional level merit particular attention. Indeed, the Federal Republic of Nigeria, since the early 1990s, has been identified as one of the leading destinations of FDI in Africa. This position has been consolidated since the country has embarked on democratization process in 1999, followed by the National Economic Empowerment and Development Strategy (NEEDS) adopted in 2003. All these strategic advantages could not fail to make worried its West African Francophone neighbors always opposed to its emergence as regional "paymaster" (Bach, 1983, pp 605-23; Inegbedion, 1994, p.221).

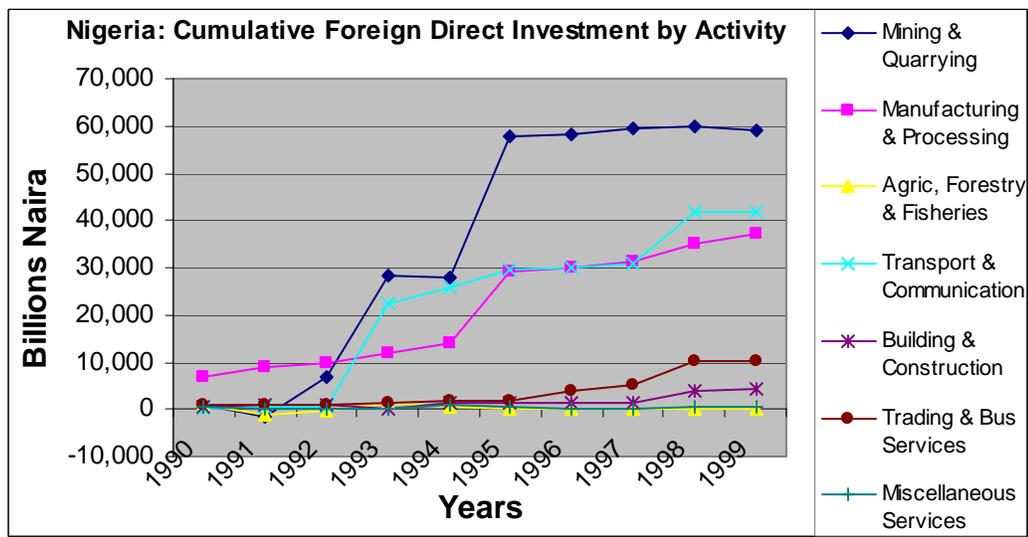
3.3.1 – Evolution of FDI inflows to Nigeria

²⁵ - Declaration of the 8th Assembly of Heads of States and Governments, Niamey, January 10th 2004 (<http://www.uemoa.int/actualite/2004/IDeclarCCEJanv2004.pdf>).

The evolution of FDI inflow into West Africa, during the decade 1990s, has largely profited to Nigeria. The annual report released by ECOWAS Secretariat in 2000 indicated that on average, FDI in the subregion amounted to more than US\$ 2 billion annually between 1994 and 1998. However, Nigeria received more than three-quarters (about 7.7 billion dollars) of that total FDI inflows, most of it invested in the petroleum and gas sector. During the same period, Cote d'Ivoire, Ghana and Senegal received 1.1 billion, 600 million and 275 million dollars respectively.²⁶ Undoubtedly, the volume of FDI annually flowing into Nigeria) is by far higher than that granted by the UEMOA member countries together, despite their larger common zone sustained by a single currency (CFA franc). The **figure 3** highlights the concentration of FDI in strategic economic activity in Nigeria during the decade 1990s.

This net advantage of Nigeria in attracting more than 80% of FDI flowing into the region has spectacularly been increasing since the late 1990s. Fundamentally, two important factors explain the recent increase in FDI inflows into this emerging power: firstly, positive political developments occurring in Nigeria since May 29th 1999 when democracy replaced the ballet of military governments and, secondly, the increasing importance of African oil that led the way to investments competition between external powers, especially the two giant Asian emerging economic powers (China and India).

Figure 3



Source: Central Bank of Nigeria – Statistical Bulletin Dec 2001 (in J. J. Bala, 2003, p. 9)

The first factor was determinant, for it created a secured environment by bringing both greater economic stability and growth, and much more liberal conditions to attract foreign investors into the country. In a bid to achieve this end, the Nigerian authorities enacted a series of regulations and policies including a more relaxed taxing system, the creation of Nigerian Investment Promotion Commission (NIPC), the privatization of all the

²⁶ - ECOWAS 2000 Annual Report (<http://www.sec.ecowas.int/sitecedao/english/es-rep2000-2-2.htm>).

ailing public enterprises, the creation of the Bank of Industry and the Small and Medium Industries Equity Investment Scheme (SMIEIS). The immediate effect of these measures was countless FDI in-roads into the country, which cut across all sectors of the economy, notably information and communication technology, oil and gas industry, capital market, agriculture, and solid minerals.²⁷

This position is supported by recent data on investment into Nigeria between 1999 and 2002. In accordance with a paper²⁸ presented by the Director of Nigerian Investment Promotion Commission at an international meeting organized by MOFA (Japan), the level of investment commitment by 143 companies registered at the NPIC was US\$ 466.4 million; re-investment by major multinationals amounted to over US\$ 2 billion; projected employment generation was over 20,959; total capital imported for investment purpose was US\$ 506.2 million; capital market capitalization was 156% change between 1999 and 2002; annual return on investment in capital market was 105%, making Nigerian stock market one of the most profitable in the world; and foreign investment inflows from the privatization program was US\$ 470.3 million in 2002.

The investment policy enacted by Nigeria, in part, explains the recent FDI inflows to this country. However, another important factor underlying the resurgence of interest in African oil by Western powers and Asian emerging economies needs to be considered. Indeed, since the early 2000s, Africa's hydrocarbons have suddenly become an increasingly attractive resource for external economic powers, and thereby source of competition mostly between Washington and Beijing. The current international context of crude oil market subjected not only to the political risks and uncertainties in other oil-producing regions (Iraq and Iran), but more importantly the rising energy demands of China and India, the approaching maturity of major oil fields, as well as the shortage of world stocks explain this resurgence of interest in the continent (Joannidis, 2006; Wolfe, 2006). In this tight competition, where FDI is used as the appropriate spur to prospect and negotiate African's hydrocarbons markets, Nigeria is by far favored as the top African producer and sixth the world exporter with a production capacity up to "2.51 million barrels per day in 2004".²⁹ In July 2005, China signed an US\$ 800 million crude oil agreement with Nigeria, and was considering US\$ 7 billion worth of investments in Nigeria (Wolfe, 2006). This investment line was lengthened, at the recent Beijing Summit³⁰, to an agreement to construct a railway network in Nigeria (Samson, 2006).

In clear, the positive political developments in this country taken together with its investment potentials explain its position as the top beneficiary of FDI flowing into West

²⁷ - *Nigerian Business Info* "Nigerian and Foreign Direct Investments", April 30th 2002 (<http://www.nigeriabusinessinfo.com/nigeria-fdi2002.htm>).

²⁸ - J. J. Bala 'The Challenges and Opportunities of the Investment Environment in Nigeria', *Paper presented at the International Meeting for the Promotion of Investment to Africa*, organized by the MOFA of Japan, at Mita (Tokyo), on February 26th 2003, p.7

²⁹ - Source: United States' Statistics, Energy Information Administration (http://www.eia.doe.gov/emeu/cabs/topworldtables1_2.html).

³⁰ - The Beijing Summit of the Forum on China-Africa Cooperation was held on from 2nd to 5th November, 2006, with the participation of 48 African countries, of which 40 Heads of State and Government. The objective of this Summit was to strengthen China-Africa economic cooperation, by guaranteeing China's access to African oil-fields, which supply the third of its hydrocarbons imports. In turn, China is committed to doubling its investments in Africa for the period 2007-2009 (V. Gal, 2006, http://www.rfi.fr/actufr/articles/083/article_47272.asp).

Africa. Accordingly, the surrounding countries cannot divert such trend, unless they initiate and adopt some strategic reforms. This logic triggered UEMOA governments to speed up the CM process, to expand the initial liberalization package to some strategic sectors. The diversion logic perfectly reflects the Regional Planning Policy supporting these common sectoral policies, which aims at building a stronger Union, more interdependent, more attractive and competitive, consistent with a regional market within which each member State optimizes, in complementarity, its comparative advantages. Besides regional FDI competition, another important factor explains UEMOA leaders' commitment to consolidate their regional economic scheme.

3.3.2 – The adoption of National Economic Empowerment and Development Strategy (NEEDS)

Encouraged by the positive political developments occurring in the country, the Nigerian authorities adopted in 2003 the National Economic Empowerment and Development Strategy (NEEDS) designed “to build a truly great African democratic country, politically unified, integrated and stable, economically prosperous, socially organized, with equal opportunity for all, and responsible from all, to become the catalyst of African Renaissance, and making adequate all embracing contributions, subregionally, regionally and globally.”³¹ This strategy is supported by the project “Nigeria: the Heart of Africa”³², a cohesive information programme destined to enhance the international perception of Nigeria and the value placed on her products, to promote her economic advancement through sustainable programmes, to showcase and buttress Nigeria's pivotal role in Africa's development, etc.

Obviously, through NEEDS, Nigeria seeks to deepen the integration of her economy with the rest of the world and, thereby, maximize the benefits of strategic integration. To achieve this ambitious programme, the federal authorities identified, among others, two strategic instruments: “*regional integration and trade policies*”.³³ Indeed, the NEEDS provisions on regional integration asserts Nigeria's “commitment to the full and complete implementation of the free trade zone agreements of the Economic Community of West African States (ECOWAS), the creation of a single monetary zone, and the unification of West Africa into a common customs territory”. To this end, the strategic document advocates that member governments' policies will be aligned towards realization of the following objectives: “adopt a common trade and competition policy in West Africa as a building block towards full integration of African economies; adopt a common currency in West Africa under the West African Monetary Zone Protocol; and remove all non-tariff barriers to trade and introduce a common external tariff regime in West Africa”.

³¹- Nigerian National Planning Commission (2004) “National Economic empowerment and Development Strategy” / Part 1: Meet Everyone's Needs / Chapter 1: Statement of Vision, Values, and Principles; p. 2.

(<http://www.nigerianeconomy.com/downloads/part1.pdf>).

³² - The Project “Nigeria: the Heart of Africa”, is implemented under the auspices of the Federal Ministry of Information and National orientation (<http://www.heartofafrica.net/objectives.htm>).

³³ - NEEDS, Part 3: Promoting Private Enterprise / Chapter 7: Regional Integration and Trade policies, pp. 80-83 (<http://www.nigerianeconomy.com/downloads/part3.pdf>).

With regard to trade policies, Nigerian policy-makers defined as strategic measures “to reduce drastically the uncertainty and unpredictability of the trade regime, to harmonize trade practices with those of other ECOWAS countries (and thus facilitate the Free Trade Area within the region), to respect Nigeria’s obligations under the multilateral and regional trading system, and to create a conducive and competitive environment in which Nigerian businesses can flourish and compete in the global and regional economy”. The goal underlying this policy, as specified the NEEDS, is “to lay a solid foundation for fully exploiting Nigeria’s potential in international trade and helping it become the gateway to West and Central Africa”.

Apparently, these strategies seem relevant and opportune to speed up the regional integration process in West Africa. Nonetheless, behind Nigeria’s commitment to move ahead with the full and complete implementation of the ECOWAS free trade zone, the creation of a single monetary zone, and the unification of West Africa into a common customs territory, lays a hegemonic aspiration for regional economic leadership, as clearly indicates the strategic goal of her trade policies. In terms of regional potential, it is important to recall that, within ECOWAS context, Nigeria accounts for 45% of regional GDP, 66% of total export, and more than half (145.646 millions of people in 2005 or 51%) of the population of the subregion (ECOWAS 2002 Annual Report, p. 8). Bazika & Dirat (2003) correctly noted that with its demographic and economic potentials, Nigeria should lead the regional integration process in West Africa, but this role is contested by the surrounding countries.

In sum, the context of resurgence of Nigeria’s aspiration for regional leadership, taken together with her regional competition in terms of FDI in the early 2000s, has influenced the final Communiqués³⁴ released by the UEMOA Authority of Heads of State and Government on January 10th 2004, urging the Union’s institutions (BCEAO, BOAD and UEMOA Commission) to finalize and implement the Regional Economic Programme (backbone of UEMOA Vision 2015), indispensable to impulse a new dynamics to the construction of UEMOA zone. The influence of some domestic socio-political factors, in part, has been determinant.

4 - Comparative Analysis: Emergence of Regional Neighboring Powers and Rise in Regional Awareness in Southeast Asia and West Africa

The collapse of the old bipolar system in the late 1980s led to of triumph of capitalism and neoliberal values. In most part of the developing world, the immediate and most perceptible implications of this event were connected to the fear of being excluded from the world trade system. In Southeast Asia and West Africa in particular, the rise in regional awareness of vulnerability in this globalization era was spurred by a factor of proximity: the emergence of neighboring economic powers in quest of regional hegemony.

In this connection, one important variable merits particular attention: the diversion and concentration of FDI. The cases of China and Nigeria perfectly illustrate this realist trend. In light of that variable, a number of factors explain the diversion and concentration

³⁴ - <http://www.uemoa.int/actualite/2004/IDeclarCCEJanv2004.pdf>

of FDI into China and Nigeria since the early 1990s. Indeed, to the question of what drives FDI in this globalization era, the literature on FDI identifies four different motives for firms to invest across national borders.³⁵

(i) Market-seeking investments, to access new markets that are attractive due to their size, growth or a combination of both; (ii) Efficiency-seeking investments that aims at taking advantage of cost-efficient production conditions, namely the cost and productive levels of the local workforce, the cost and quality of infrastructure services (transport, telecommunication) and the administrative cost of doing business; (iii) Natural-resources seeking investments to exploit endowments of natural resources; and (iv) Strategic-asset seeking investments, oriented towards man-made assets, as embodied in a highly-qualified and specialized workforce, brand names and images, shares in particular markets, etc.

In reality, these moves, as specified the World Investment Report 1998 (UNCTAD, 1998), are seldom isolated from one another. In most cases, FDI is motivated by a combination of two or more of these factors, which requirements perfectly fit Nigeria and China's position in this globalization era. Considering Nigeria's investment environment, it is a common knowledge that, in the African continent, there are very few countries with the huge economic potentials of that country. This African giant is endowed with an abundance of human and natural resources. Indeed, top African oil producer and the sixth world large exporter, Nigeria offers many potential sectors for investment including "crude oil refining, transportation and storage, production of liquefied natural gas, manufactures of gas cylinders, valves and burners, processing plants for refined mineral oil, petroleum and grease, chemical industries, petrochemical plants, fertilizer plants, rubber and plastics plants, etc" (Bala, 2003, p.11). Taken together, these potential opportunities Nigeria offers in terms of 'natural-resources seeking investment' are by far higher than those offered by the UEMOA bloc as a whole, which are limited to cotton, coffee, cocoa, palm oil, gold, phosphate, uranium etc.³⁶

Except for natural resources, Nigeria also offers tremendous investment opportunities in terms of 'market-seeking investment', and has been committed since the late 1990s to thrive its potentials in 'efficiency-seeking investments', and 'strategic-asset seeking investments' through a series of regulations and policies, notably a more relaxed taxing system, the creation of Nigerian Investment Promotion Commission (NIPC), the privatization of all the ailing public enterprises, the creation of the Bank of Industry and the Small and Medium Industries Equity Investment Scheme (SMIEIS). Virtually, Nigeria represents the most populous African country (134 million people³⁷ in 2003), covering the widest internal market and offering the most highly trained work forces in Africa.³⁸ All these potentials explain the concentration of FDI inflows to Nigeria since the early 1990s.

Likewise, from 1992, the core ASEAN countries had lost their statute of traditional potential beneficiaries FDI's inflows to East Asian region in favor of China and, since then, the gap between the two flows has expanded with quite double flows records annually into

³⁵ - UNCTAD, 1998, quoted in Odenthal, 2001, p. 14)

³⁶ - Information & Statistical Notes BCEAO No 545 – March 2004, pp. 46-54.

³⁷ - <http://fr.wikipedia.org/wiki/Nigeria> - The population of UEMOA bloc as a whole is only 74 million people.

³⁸ - *African Competitive Report 2000/2001* (quoted in Bala, 2003, p.5)

China. The main factors underlying that reverse and FDI diversion stemmed from Chinese economic prowess at that time, sustained by important reforms in deregulation of investment and trade (Arnold, 2004, p. 3). Concretely, China itself represents a potential market-seeking investment as the most populous country in the world with a population over 1.3 billion people.³⁹ Moreover, China's cheap labor fits multinational enterprises' advantages in labor-intensive production, what strengthens the country's potential in terms of 'efficiency-seeking investments'. Most importantly, accelerated and deepened economic reforms undertaken by Chinese government throughout the 1990s made it possible the country's accession to the WTO, what stimulated the growth in export-oriented FDI (from Hong Kong, Macau and Taiwan) and local-market oriented FDI (from the U.S., Western Europe and Japan).

In clear, since the early 1990s, China and Nigeria have emerged as two important poles of FDI concentration in the developing world. In the face of such regional emerging economic powers with potential assets to compete for production locations, trade shares, stock market capital and investment, the neighboring weaker countries cannot economically survive and get an international audience in the globalization era, unless they create a regional integrative and competitive bloc likely to compete with them and counterbalance their economic weight. This logic perfectly reflects the decision by the ASEAN leaders to expand Association's membership to Indochinese countries, to accelerate the AFTA process, to extend the initial liberalization programmes to other strategic sectors as well as the decision to establish the ASEAN Economic Community by 2020. The same logic of balancing power triggered the UEMOA leaders' decision to adopt a series of programmes and sectoral policies as well as the UEMOA Vision 2015, with a view to speeding up the establishment of a subregional competitive trade bloc in West Africa. On analysis, the strategic response of ASEAN and UEMOA leaders to contain and deal with the Nigerian and Chinese growing propensity for regional leadership perfectly illustrates the 'balance-of-power' and 'balance-of-threat' theories (Walt, 1987).

Conclusion

After all, the resurgence of interest in regionalism in Southeast Asia and West Africa from the early 1990s was triggered by global changes occurring in the international economic environment. However consistent efforts by ASEAN and UEMOA leaders to speed up the liberalization process under AFTA and UEMOA CM schemes, to expand their initial liberalization scopes to other strategic sectors, and the definition of a new vision to back their integration process, mostly respond to the imperative to establish a competitive and single regional market, likely to counterbalance the growing regional economic and leadership competition from China and Nigeria.

³⁹ - <http://news.bbc.co.uk/2/hi/asia-pacific/4151229.stm>

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