# REGIONAL ECONOMIC INTEGRATION IN DEVELOPING COUNTRIES: A CASE STUDY OF NIGERIA; A MEMBER OF ECOWAS

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**Abstract**

This study attempts to ascertain how regional economic integration has impacted on the growth of the Nigerian economy as a member of and thus to assess the need for regional economic integration in developing countries. Using gross domestic product as a stable function which is dependent on a number of economic factors like export, import and balance of trade and relying on the ordinary least squares method; the study covers the period 1970 to 2008. The empirical result indicated that both import and balance of trade had positive linear relationship with gross domestic product, contrary to export which has a negative relationship with the nation's output. The policy implication of the result is that imports and balance of trade in regionally integrated markets have powerful influence on the nation's output. The paper posits that to achieve greater macroeconomic goals from regionally integrated markets, there is need to prudently manage import and export to achieve favourable balance of trade and balance of payments through diversifying the export economy predicated on a strong production base.

**Keywords:** Regional Economic Integration, Developing Countries and Nigeria

## Introduction

External and internal motivation has been the major factor in the evolution and development of regional bodies in developing countries, especially bodies that are devoted to regional integration. After independence, African countries found the need (both political and economic) to associate with one another. This stemmed from the belief that for their economies to develop, certain obstacles had to be removed. Regional bodies were created to take advantage of economies of scale in production, consumption, which are the fruits of effective and efficient regional integrations.

On the external front, these economies believed that their coming together under a regional body would be an effective means of asserting their economic independence. On the other hand, economies of scale, poor resource endowment and under-development, just to mention a few, have been adduced as economic arguments for the establishment of regional bodies. It is believed that regional integration would obviate these difficulties, which are the bane of isolated and poor economies in Sub-Sahara African (SSA) countries and pave the way for sustainable growth and development. Indeed, the treaty which was signed in Abuja in 1991, perceived existing regional communities in the continent as building blocks thereby presuming the existence of a solid foundation on which it could build. However, with over forty (40) regional bodies in the continent there is need for the evaluation of existing efforts at integration.

In West Africa, there are many regional bodies. Three of them can be identified as explicitly concerned with the promotion of intra-regional trade glows: The Economic Community of West African States (ECOWAS), Communuaute Economique de l'Afrique del' Ouest (CEAO) and MANO River Union (MARIUN). During the last few decades, there has been a great deal of momentum towards regional integration, inspired by the growing awareness of globalization, increasing homogeneity in issues relating to fiscal, financial and technical barriers to trade. These as well as the rapid growth in scientific and technological innovations are all among factors that underlay the importance and need for the various regional cooperation schemes that have come into existence since World War II.

A more recent type of such cooperation is that of the European Union's introduction of a single currency and establishment of the Union's integrated process to include East European countries. Some of the other known examples of this trend include the emergence of initiatives such as a the Asia Pacific Economic Cooperation (APEC) agreement between the United States, Japan, China, Canada, Mexico, Australia and a dozen other countries bordering the pacific ocean, the North American Free Trade Areas (NAFTA), Association of South East Asian Nations (ASEAN), Southern Common Market (MERCOSUR), and Caribbean Community and Common Market (CARICOM). All of these bodies shared a common desire to establish free trade areas, custom unions and perhaps common currencies, to better the lot of their regions.

The perceived benefits of regionalism on trade and economic development, especially the trade creating benefits and economies of scale through specialization has also raised the global upsurge in regional integration. Despite Africa's well endowed natural resources, the continent is still suffering from continued dependence on the production and export of primary commodities (with direction of trade predominantly towards EU markets), weak industrial base, and dependence on foreign loans and capital. The challenge, therefore, is to reduce these dependences, which over the years have been aggravated by the rapid growth in regional integration among her major trading partners in Europe and elsewhere. Consequently, the share of Africa's products in the EU market decline from6.3% in1980 to 3.3% by 1992, a trend which is expected to continue in the wake of more stringent economic and other ties within the European Community. Regional integration, undoubtedly has a potentially important contribution to make growth and development in African countries. However, in view of the blatant failures of African integration schemes in the past, it is important that useful lessons are drawn from earlier experiences to ensure success.

The major objective of the research is to investigate empirically gross domestic product (GDP) as a stable function which is dependent on a relatively small number of economic factors like export, import and balance of trade in Nigeria. The relevance of the study is to find out how successful vis a vis the important contribution(s) regional economic integration has made to growth and development in developing countries, particularly African countries. It covered the period 1970 to 2004 and the econometric technique explored is the ordinary least square (OLS) method. Following the introductory section is the review of literature in section two. Section three provides the theoretical framework and model specification while section four is the presentation and analysis of the estimated result as well as the policy implication. Section five draws conclusions and make some appropriate policy recommendations.

## Conceptual framework

The initiation of various forms of economic integration in both developed and developing countries in the 1950s and 1960s led to a substantial amount of theoretical work on the process and effects of this phenomenon. Part of this effort was directed at stating general principles covering preconditions for integration and its effects on international trade and welfare, while, as might be expected for the most part, the concern was with questioning the assumptions, value judgements and relevance of the received doctrine when applied to developing countries.

## Theory of economic integration

The theory of economic integration combines elements for free trade with foreign trade protection. In an economic community, all restrictions (e.g. import tariffs between member countries are removed, while the community member states collectively or singly, continue to impose these restrictions on imports from non-member states. Thus, while an economic community establishes free trade among member states, it, however imposes restrictions on trade with countries outside the community. The various levels of integration are as follow:

**i FREE TRADE AREA:** We may consider the free trade area as the loosest form of economic integration. In a free trade area, member countries eliminate import duties on goods from other member's states, but each member state is free to impose its own import duties (which may be different from those imposed by other member states) on imports from non-member countries. An example of a free trade area was the European Free Trade Association (EFTA) which was organized by the United Kingdom as a rival to the European Economic Community and was made up of the U.K., Switzerland, Austria, Norway, Denmark, Sweden and Portugal, it however, collapsed when the United Kingdom became a member of the European Economic Community (EEC)

**ii CUSTOMS UNION:** The customs Union is a higher level of economic integration than the free trade area. In a customs union, member countries, but unlike the free trade area, all members maintain common tariff rates against non-member countries. Using our examples of a community made up of countries A, B, and C, a customs Union requires that members eliminate duties on imports from other members, but each member country is now bound to impose common rates on imports from non-member countries. An example of a customs union is the customs Union of the West African States is the customs Union of the West African State in which the French-speaking West African countries, with exception of Togo, are members.

**iii COMMON MARKET:** A level of economic integration which is higher than the customs market has all the properties of the customs union, is the common market. The common market has all the properties of the customs Union, but in addition, it provides for movement of labour and capital between member countries.

**iv ECONOMIC UNION**: This is a higher level of economic integration than the common market, but in addition, it involves coordination and harmonization of policy in such fields as economic planning, industrialization, monetary policy, and exchange rate determination. This is the level of integration which ECOWAS hopes to attain in the future.

**Preconditions for successful economic integration**

Whether or not economic integration would be beneficial to member countries depends on a number of preconditions are satisfied, then integration would be desirable. We shall now proceed to discuss some of these preconditions.

**(a)** The incidence of trade among member countries should be substantial. In other words, the percentage of their total trade represented by trade among members should be substantial. It is, therefore, clear that until West African countries reduce the percentage of their trade with Europe and increase trade among themselves, the prospect for economic integration in the sub-region would continue to be poor.

**(b)** The more competitive the productive structure of member countries, that is, the more countries produce the same industrial commodities within the community, the more likely it would be that the most efficient producers would capture the enlarged market, with beneficial result of lower prices and a more efficient utilization of resources. In addition, the more complementary the distribution of raw materials and minerals, the more the scope for industrial coordination and cooperation among member countries. West Africa seems to satisfy this precondition as almost all countries in the sub-region produce textiles, soft drinks, processed food and other height consumer goods, while the even distribution of raw materials and minerals as demonstrated by the production of crude petroleum in Nigeria, Uranium in Niger to mention only two provides a favourable atmosphere for industrial cooperation which promotes trade among members.

**(c)** The larger the area constituting an economic community in terms of income, population and geographical area, the greater the prospects of accruing to member countries. ECOWAS satisfies this precondition as it extends from Mauritania and Guinea-Bissau in the Northwest to Nigeria in the East; an area which is large by any standard and compares favourably with other economic communities.

**(d)** A further precondition may be included for countries such as those in West Africa where several factors of the national economy are controlled by foreign investors. It states that the more the economies of member countries are controlled by foreign-owned companies, the less the benefits of integration accrue to citizens of the member countries, and the more these benefits to non-member foreign countries in the form of profits, dividends and other payments. Put in another way, for economic integration to benefit member countries, national control and ownership of the various sectors of the economy should be secured before integration. As for West Africa, only a few countries (for example Nigeria and Ghana) have tried to secure control and ownership of domestic industries from foreigners by 1976. Foreign investors control most of the economies in West Africa.

**Effects of economic integration**

The formation of an economic community effects not only the volume and structure of trade of member countries, but also the use of resources, production, prices of traded goods, as well as the bargaining power of member countries in international markets. More specifically, the effects of economic integration are as follows:

**(1).** The removal of tariffs on imports from member countries leads to beneficial increase in the volume of trade according to the principles of comparative advantage.

**(2).** After the removal of tariffs, member countries would tend to increase their production of goods for which they are best suited. Thus, the result is more efficient allocation of productive resources.

**(3).** The formation of a community results in a single enlarged market for many commodities. Producers in member countries begin to compete with one another and the most efficient displaces the less efficient rivals. The surviving producer is then able to increase its volume of production, and realize economics of mass production. Put differently, the unit cost of production falls as the level of production increases.

**(4).** The member countries, particularly raw material producing countries, can cooperate as regards the supply of commodities to world market. For example, ECOWAS countries control an overwhelmingly large proportion of the world's output of cocoa and groundnut, and could thus have some monopoly power in the world markets for these commodities. This power could enable member countries improve their terms of trade. Because of increased efficiency in member countries resulting from integration, member countries would experience an increased rate of economic growth. Such increased rate of growth has occurred in the European Economic Community (EEC).

**The need for regional economic integration**

Having explained the role of the institutions necessary to carry out the works of one of the fastest moving regions in terms of economic integration. It is pertinent to examine the need for economic integration. The need for economic integration are summarized below:

**Trade Creation:** This was exhaustively discussed in our previous pages and we will not dissipate our energy on it again.

**Factors Movements:** Factors of production such as labour, machineries, entrepreneurial abilities are moved voluntarily from a relatively saturated area to places for which those skills can be applied more effectively. After all, when Auhor Lewis was asked some years back why many countries were underdeveloped? His reply was that “those countries lack or have few capitalists”. It can safely be said that those countries lack genuine entrepreneurs will have a hard time in accomplishing or bring about true development to their respective countries.

**Specialization Will Flourish:** The need for specialization will be intensified. Meaning that countries within the block will engage in creative specialization instead of being jack-of-all-trades. This will bring about a more efficient allocation of resources, which will invariably enhance the finishing touch and the number of products brought out in the regional market. Naturally, the larger the number of commodities made available to the consumers, the less the price to the consumers ceteris paribus. This of course will promote efficiency in production. In other words, inefficient producers will have to give way for the more efficient producers.

**Sub-Regional Integration: The Emergence And Evolution Of The Economic Community Of West African States (Ecowas)**

The concept and practice of regional cooperation in West Africa dates back to the colonial era when the colonialists in their various areas of influence introduced a number of cooperative arrangements and institutions that served a number of countries. Thus, there were the West African Currency Board (WACB), the West African Cocoa Research Institute (WACRI), the West African Airways (WAA) for the English colonies, while there were in existence similar common institutions and arrangement in the French colonies. After over a decade of pursuing individualistic national approaches to economic development based on a strategy of import substitution industrialization, the countries in West Africa did not achieve any breakthrough in development. Instead, the countries faced adverse terms of trade in the face of declining commodity prices coupled with lack of access to the market of the industrialized countries.

Against this background, countries in West Africa began to look at the possibility of a regional market as a way out. During the period, the second UN Decade of the 70s introduced the concept of collective self-reliance as a strategy for development instead of dependence on aid from the developed countries. The 1974 declaration by the UN of the New International Economic Order recognised regional economic cooperation among developing countries as the cornerstone for their future development. Subsequently, the UN Economic Commission for Africa (UNECA) took up the challenge and convened a series of meetings in various parts of Africa to promote regional cooperation and integration. In West Africa, the UNECA had earlier on convened Ministerial meetings on regional cooperation in Niamey, 1966, Accra, 1967, and Monrovia, 1968 without much success. But with the declaration of the New International Economic order based on the principle of collective self-reliance the whole process gathered momentum. Subsequently, the regional cooperation initiatives and consultations spearheaded by Nigeria and Togo led to the formation of ECOWAs in1975. The establishment of ECOWAS was thus the culmination of many years of efforts by the West African leaders and the UNECA to create a large economic space across the linguistic divide in West Africa.

The Treaty establishing ECOWAs was signed on 28th May, 1975 in Lagos by 16 countries (they include: Benin, Burkina Faso, Cape Verde, Cote d'lvoire, the Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo) in West Africa and came into force on June 10, 1975 when seven countries ratified it. The aim of the community defined in Article 2 of the Treaty was "to promote cooperation and development in all fields of economic activity, particularly in the field of industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions and in all social and cultural matters for the purpose of raising the standard of living of its peoples, of increasing and maintaining economic stability, of fostering closer relations among its members and of contributing to the progress and development of the African continent".

Following the signing of the Treaty in1975 and its subsequent ratification, the community became operational two years later, in early1977 with the appointment of the first Executive Secretary, Dr. Diaby Quattara from Cote d'lvoire. Earlier on in November, 1976, the first protocols were signed and decisions were made to locate the Headquarters of the ECOWAS secretariat and the ECOWAS fund in Lagos and Lome, respectively. Although the decision to locate the headquarters of the two community institutions in the two countries was based on purely political considerations it was in a way, a recognition of the pioneering role played by both Nigeria and Togo in ensuring the birth of ECOWAS.

The mandate given to ECOWAS under its Treaty was as follows:

**i.** The elimination of customs duties and other charges of equivalent effect in respect of the importation and exportation of goods between member states;

**ii.** The abolition of quantitative and administrative restrictions on trade among the member states;

**iii.** The establishment of a common external tariff and a common commercial policy towards third countries;

**iv.** The removal of obstacles to the free movement of persons; services and capital, to mention a few of them.

**Objectives of ecowas**

Some of the objectives are:

**1.** The establishment of an economic union through the adoption of common policies in the economic, financial, social and cultural sectors, and the creation of a monetary union;

**2.** The harmonization and coordination of national policies and the promotion of integration programmes, projects and activities, particularly in food, agriculture and natural resources, industry, transport, economic reform policies, human resources, education, information, culture, science, technology, service, health, tourism, legal matters;

**3.** The establishment of a common market through:-

**(a)** The liberation of trade by the abolition, among member states of customs duties levied on imports and exports, and the abolition among member states, of non tariff barriers in order to establish a free trade area at the community level:

**(b)** The adoption of a common external tariff and common traded policy vis-à-vis third countries;

**(c)** The removal between member states, of obstacles to the free movement of persons, goods, services and capital and to the right of residence and establishment;

**4.** The promotion of the establishment of joint production enterprises

**5.** The promotion of balanced development of the region, paying attention to the special problems of each member state particularly those of landlocked and small island member states;

**6.** The adoption of a community population policy which takes into account the need for a balance between demographic factors and socio-economic development;

**7.** The establishment of a fund for cooperation, compensation and development.

**Operationalisation of ecowas institutions**

Among the first priorities of ECOWAS was to operationalize the various institutions contained in its Treaty. The Treaty of ECOWAS defined in its Article 4 the institutions of the community in hierarchical order are as follows:

**The authority of heads of state and government**

Otherwise known as “the Authority” is the supreme institution of the community responsible for general direction and control of the community and its institutions.

**The council of ministers**

The council consists of ministerial representatives of each member state with responsibilities such as, keeping under review the functioning and development of the community in accordance with the Treaty, making policy recommendations to the Authority.

**The executive secretariat**

The executive secretariat headed by an executive secretary is responsible for the implementation of decisions taken by the Authority and application of the regulations of council.

**The tribunal of the community**

The tribunal is expected to adjudicate in disputes arising from the implementation of community decisions among member states.

**The technical and specialised commission**

The specialized commissions comprising representatives of member states operate in technical advisory capacity to the council. These commissions were: Trade, Customs, Immigration, Money and Payments, Industry; Agricultural and National Resources, Transport, Communications and Energy; and Social and Cultural Affairs.

**Achievements of ecowas**

The achievements of the ECOWAS as an economic integration organization have so far not been outstanding and encouraging. This is due to the non-implementation of community decisions and programmes by members states. Nevertheless, the existence of ECOWAS has paved a way for some developments.

**Better understanding among member states**

The affairs of the Communityhave been conducted in such a way as to encourage the maximum involvement of officials of member states. This has produced a certain degree of camaraderic among those who handle ECOWAS affairs. Also, a sense of community spirit prevails at the various meetings, ad-hoc committees, commissions and technical committees. Some tensions among some member countries have been resolved in the spirit of the community. The level of consultation among member states has heightened.

**Regional approach to development**

Like most "integration groupings" before it ECOWAS was intended more as an instrument for the establishment of a free trade area than an organ of economic development per se. This position has now changed and one of the significant invisible achievements of ECOWAS is the acceptance of Member States in practice to make the community a vehicle for promoting and accelerating economic development. An indication of this is the adoption by the community of a common development policy. Sub-regional cooperation programmes and policies have been adopted in the spheres of physical infrastructure development, agricultural development, industrialisation and monetary cooperation.

**Adoption of common policies and programmes**

A number of agreements have been reached (in the initial stages-10 years) on common policy measures and programmes for the main sectors of the economy. Examples are:

a. The trade liberation scheme;
b. The programme for the free movement of persons within the community;
c. Agricultural and industrial Development Policies;
d. The transport and telecommunications network being established; to name a few.

**Establishment of relation with other organizations**

The ECOWAS has established working relations with organizations like West AFRICA Rice Development Association (WARDA), the Economic Community of Livestock and Meat (CEBU), West Africa Health Community (WAHC), the West Africa Clearing House (WACH), The Common Organization for the Fight Against Endermic Disease (OCCGE), the Organization for Africa Unity (OAU), now Africa Union (AU), The Economic Commission for Africa (ECA) secretaries.

**Some problems of ecowas**

Like most new organizations, ECOWAS is bound to encounter some initial problems are not insurmountable when there is meaningful cooperation and determination. In ECOWAS, therefore, the prospects for a sustainable growth depend on how successful the member countries are, in tackling these problems. The member states constituting ECOWAS are highly unequal in their endowments with the fear that the rich countries will dominate the less rich ones. For example, Nigeria when compared with Senegal is endowed with the largest population and rich natural resources while landlocked countries like Senegal and others were sparely populated and poorly endowed with resources. The fear is that Nigeria with its state of potential wealth will dominate other member states e.g. the small and hence Senegal was reluctant to ratify the treaty of Lagos (in May 25, 1975).

The volume of trade between the member states is still in its infancy and not until the obstacles discouraging free trade are dismantled the volume of trade will continue to be small and the benefits accruing from regional integration will be limited. However, attempts are being made to remove these obstacles through the customs union. But how effective are these colossal arrangement going to be will depend on future events.

With the exception of a very few member states for example Nigeria majority of ECOWAS states are predominately primary producers and derive their revenue from imports and export duties. For example, the relatively high percentage of 52 – 53% of Ghana's budgetary income for 1974 was derived from export and import duties. The question is, how would these member states be compensated if trade is liberalized?. Although the treaty provides for the establishment of a fund for cooperation, compensation and development, there is the problem of fair assessment of each country's needs.

The poor infrastructure, transport systems and communication system linking ECOWAS countries are woefully inadequate in all the member state countries and would probably slow the pace of cooperation and integration. Roads, rails and telecommunication systems were build to serve individual countries instead of linking the various countries. If a major industry is to be established there is need for such infrastructures prior to the establishment of same. However, Nigeria has taken the bull by the horn through its construction of the trans-national roads linking some of the ECOWAS countries like Togo and Cameroun. Other member states will emulate Nigeria's examples. It is likely that political tension will raise among the groups such as the French speaking of West Economic Community (CEAC) is a case in point, this might cause conflict of interest within the ECOWAS and the lack of ideological orientation acceptable to members is a probable futuristic problem.

Political instability rampant in West African States does not create good environment for both host and foreign investors so that the revenue that could have accrued to the government in form of corporate taxes is excluded as windfall losses. Low income and unemployment problem characteristic of the developing countries could have been drastically reduced if there is political stability that will make room for prospective investors. For example, during the Nigerian civil war, many companies were forced to fold up and since then some are reluctant to come back for fear of having a second experience. The rate of population growth has out paced food production with consequent rise in price levels. The steady decreases in per capital food production seem to have forced member states to be one of the world's importer of refined oil and this is caused by share neglect of her refineries.

## Research methodology and model specification

Secondary data gathered from various sources will be largely relied upon for this study. Gross Domestic Product is a stable function which is dependent on a relatively small number of economic factors like export, import and balance of trade. The equation that will be involved is linear and will show a linear relationship between the dependent and explanatory variables. We will attempt an empirical estimation of the impact of our explanatory variables on the dependent variable using the Ordinary Least Square (OLS) simple regression approach. Through the various statistical test, check whether or not export, import and balance of trade have any significant influence on gross domestic product on the Nigerian economy.

## Model specification

Thus far, we want to find out whether or not a relationship exists between gross domestic product and export, import and balance of trade. The functional form of the model is:

$$GDP = f(\overline{X}, IMP, BOT) \qquad \textbf{3.1}$$

**Where:**

GDP = Gross Domestic Product, $\overline{X}$ = Export, IMP = Import, BOT = Balance of Trade

The econometric form of the model is specified thus:

$$GDP = b_0 + b_1\underline{X} + b_2IMP + b_3BOT + U \qquad \textbf{3.2}$$

**Where:**

$b_0$ = intercept, $b_{1,}$ $b_2$ and $b_3$ = coefficients of the independent variables, U = stochastic term.

## Presentation and analysis of result

The model expresses GDP as a linear functions of export ( $\overline{X}$ ), import (Imp) and Balance of trade (BOT). The result of the estimation is presented below in table 3.1.

Table 3.1

| REGRESSOR | COEFFICIENT | STANDARD ERROR | T-RATIO |
|---|---|---|---|
| INPT | 18686.7 | 18625.7 | 1.0033 |
| IMPRT | 4.4972 | .27248 | 16.5049 |
| EXPRT | -1.1867 | .24617 | -4.8204 |
| BOT | 1.8943 | .22433 | 8.4442 |

R- Squared ($R^2$) = 99451, R- Bar- Squared ($\overline{R^2}$) = 99357, S.E of regression = 166683.6, F – statistics (5,29) = 1051.2, S.D of Dependent Variable = 2078159, DW Statistic = 1.9911.

An evaluation of the above result shows that $R^2$ is 0.99451 which means that the three regressors or the explanatory variables in the equation accounted or explained about 99 percent of the systematic variations in the nation's output (GDP) during the period under review (1970-2008). This is to further states that the coefficient of determination ($R^2$) has showed a goodness of fit between the dependent and independent variables. The F-value of 1051.2 is indeed very high indicating statistically significant result both at the one percent and five percent levels of significance. This means that there is a significant linear relationship between the dependent variable (GDP) and explanatory variables of the model. The DW Statistic (1.9911) though showed an autocorrelation, it is a weak positive autocorrelation associated with the estimation. Alternatively stated, the autocorrelation problem is highly minimized.

However, it seems apparent that a prior, the coefficient of import and balance of trade have the correct signs which is in conformity with theoretical expectations. This is to say that both import and balance of trade (BOT) have positive linear relationship with gross domestic product. On the contrary, export has a negative sign instead of a positive sign a priorily. An indication that export has a negative relationship with the nation's output. This may be due to the fact that, prices of exports are being dictated by the advanced countries. This means that variation in import and balance of trade variables significantly affect the behavior of the gross domestic product over the period of estimation while export does not significantly impact on the nation's gross domestic product.

Furthermore, using the t-test both at one percent and five percent levels of significance, all the explanatory variables such as export, import and balance of trade are statistically significant. This mean that the variables are the major determinants of the nation's output. Finally, a unit change in import, export and balance of trade would lead to an increase in economic growth to the tune of about 45 percent and 19 percent for import and balance of trade respectively; but would lead to a decrease of about 12 percent in case of a unit change in export. The policy implication of the finding is that import and balance of trade activities have a powerful influence on the nation's output (GDP) and, therefore, there is need to control import and export activities in such a manner that will lead to a favourable balance of trade. This will in turn culminate into a favourable balance of payment or surplus and the economy will be better for it.

## Conclusion and policy recommendations

The need for regional economic integration in developing countries with a focus on Nigeria as an ECOWAS member country cannot be over emphasized. It has since become apparent that most countries cannot always have all the resources or know-how to cope with the increasing complex global environment from internal resources; hence, the need to come together in an economic alliance or network based on cooperation, flexibility, and shared interests and objectives.

Regional integration, undoubtedly has a potentially important contribution to make to growth and development in African countries. However, in view of the blatant failures of African integration schemes in the past, it is important that useful lessons are drawn from earlier experiences to ensure success. Against this background, countries in West Africa began to look at the possibility of a regional market as a way out. With the declaration of the New International Economic Order based on the principle of collective self-reliance the whole process gathered momentum. Subsequently, the regional cooperation initiatives and consultations spearheaded by Nigeria and Togo led to the formation of Economic Community of West African States (ECOWAS) in 1975.

This study reviewed the theory of economic integration, preconditions for successful economic integration, effects of economic integration and the need for regional economic integration. Also, it looked at ECOWAS in its totality from objective, organs, achievements and problems. Empirical evidence showed that both import and balance of trade have direct relationship with the gross domestic product, while export has inverse relationship with the dependent variable (GDP). From the foregoings, it is clear that import and balance of trade have significant impact on the nation’s output, contrary to export that has a negative effect on gross domestic product. The following policy recommendations may be adduced. They include: the development and encouragement of manufactured exports predicated on a strong production base rather than production of primary goods which will enhance the nation’s output. Beside, exports should be encouraged while imports of certain products should be discouraged to achieved a favourable balance of trade which will lead to balance of payment surplus that will culminate into an increase in the nation’s output.

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