# The University Of Sheffield

# *EU Trade Systems and West African Ruling Elites’ Survival.*

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A thesis submitted to the Department of Politics at the University of Sheffield for the degree of Doctor of Philosophy.

**Declaration**

I certify that the thesis I have presented for examination is wholly my own work.

I declare that my thesis consists of 98,276 words.

**To the memory of my friend Ebere Nwonkedi (1986-2005)**

Come back! Even as a shadow,
even as a dream.

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Contents

The University Of Sheffield i

*EU Trade Systems and West African Ruling Elites’ Survival.* i

Michael Ehis Odijie i

List of Tables vi

List of Figures vii

Abstract viii

Chapter 1: Introduction 1

Gaps in the existing literature on EU-Africa Trade System 1

Research Problem: The Puzzle of Limited Economic Transformation 7

Methodology and Limitation 9

Research Design and Case Selection 10

Method: Information Elicitation and Analysis 11

Data Sources and Types 12

Analytical Procedure 13

Limitation 14

Thesis Outline 15

Chapter 2: Political Survival of Ruling Elites 21

Introduction 21

Assumptions of LAO Framework (for the African State Type) 22

Political Survival of Ruling Elites and Political Origins of Economic Change 27

Trade Extraversion in LAO 32

Conclusion 36

Chapter 3: The Imperative of Economic Change 39

Development Imperative 39

Anti-poverty Imperative 43

Conclusion 48

Chapter 4. Historical Background of West Africa- EU Trade System 50

Introduction 50

Part 1 The Pattern 52

Development Theory of History: Culture 52

Civilising Mission: Africa’s Role in Organising European Peace in 1884 55

Role of Colonialism in Determining Specialisation 57

Part 2. The Replication 60

Development Theory of History: Economic Development 60

Negotiating Imperial Partnerships: Africa’s role in reorganising a Peaceful Europe 64

Conclusion: Rome Treaty 69

Chapter 5: Yaoundé Convention. 1960-1975 71

Introduction 71

Background: Similarities between Ghana and Côte d’Ivoire 74

1961: Point of Divergence between Ghana and Côte d’Ivoire 78

First Case Study: Ghana, 1961-1975; Threats and Diversification Attempts 82

Post-1961 Development Efforts 85

1966-1970: Price Stability and Effects on Policy 93

Price Instability and Second Development Effort 96

Second Case Study: Côte d’Ivoire, 1961-1975; EEC and Extraversion 102

EEC Trade System: Yaoundé Convention 107

Economic Impact of Yaoundé Association 110

Divergence in West Africa 125

Conclusion 129

Chapter 6: The Lomé Convention and Extraversion 132

Introduction 132

The Context of the Lomé Convention 134

Features of the Lomé Convention 136

Effects of the Lomé Convention 138

Resource Misallocation—The Case of Sugar Sector 139

Case Study of Diminishing Returns in Cocoa 144

Convergence in Sub-Optimal production 162

Conclusion 173

Chapter 7: The Cotonou Agreement 175

Introduction 175

Part 1. EPA process—EU Policy preferences and exploitation of domestic survival strategies 178

EPA: WTO compatibility or EU policy preference? 178

Division Among West Africa Ruling Elites 182

Some Arguments against the EPA 188

Part 2: Outcome of EPA 194

EPA and Access to EU Market 197

Shrinking EU Preferences 200

EPA and Diversification 209

Regional Obstruction: The Chicken Experiment in Côte d’Ivoire 212

Conclusion 220

Chapter 8: Conclusion 223

Introduction 223

Theoretical Restatement 224

Summary of Findings 227

Implications and Contributions 234

Implications beyond EU Trade System 237

Bibliography 241

## List of Tables

Table 1 Timeline and Summary of EU trade systems 1

Table 5. 1 Indicators of external economic dependence for Ghana and Côte d’Ivoire, 1956-1958 76

Table 5. 2 Profit and loss records for selected state enterprises, 1964-5 (¢ thousands) and 1969-70 92

Table 5. 3 Government and cocoa industry: selected indicators 94

Table 5. 4 Ghanaian cocoa production: volume, export value and world price per ton, 1954-1970 101

Table 5. 5 Producer prices in Ghana and Côte d’Ivoire 111

Table 5. 6. Direction of trade, 1960-1975. Export distribution per products 114

Table 5. 7. Distribution of total exports, 1960-1975 115

Table 5. 8 Sources and value of imports in billion CFAF, 1960-74 116

Table 6 1: Comparison of world-market and Lomé prices (in UA per 100 kg raw sugar) 141

Table 7. 1. Showing the difference in tariff between Lomé and GSP in selected exports. 184

Table 7. 2. The gap between aid promised and disbursed by the EU to ACP countries between 1975 and 2007 193

Table 7. 3 Ghana’s overall trade with EU, 2004 -2014 197

Table 7. 4. Côte d’Ivoire’s trade with EU, 2004-2014 199

Table 7. 5. Côte d'Ivoire’s banana exports to the EU (EU 28) 205

## List of Figures

Figure 6. 1. Model of cacao boom-and-bust cycle; the cacao cycle may last for as little as 20–25 years. 147

Figure 6. 2. Relationship between harvested area and output in Ghana and Côte d’Ivoire from 1971 to 1984 153

Figure 6. 3.Producer prices for cocoa beans (USD) in Côte d’Ivoire, 1993-2003 158

Figure 6. 4. Côte d’Ivoire processed pineapple, 1961-1989 164

Figure 6. 5. Number of fresh pineapples exported from Ghana, 1995-2010. 167

Figure 6. 6. Côte d’Ivoire’s fresh pineapple production, 1975-2012. 167

Figure 7. 1. Quantities of Poultry meat imports from 2000 to 2011 215

Figure 7. 2: Increase in chicken stock in Côte d’Ivoire from 2004 to 2013 216

Figure 7. 3. Increase in chicken stock in Côte d’Ivoire from 2004 to 2013 217

## ****Abstract****

For researchers studying the political origins of economic change and economic diversification in the African states type, the limited economic change or transformation observed in the African continent since independence – particularly in non-resource countries – is a puzzle. The economic activities that formed the basis of state rule at independence in the 1960s were unsustainable in terms of both price and production (due to diminishing returns created by the relationship between resources and output). Therefore, ruling elites were vulnerable to political crisis and dislodgement during sustained price reduction or production difficulties. Following a reduction in export prices, for example, the pursuit of political survival (the primary political objective of ruling elites) is bound to direct ruling elites towards economic change in an attempt to retain their position. Yet most countries in West Africa have experienced virtually no economic change since independence, while enjoying internal peace and political order. Scholars have generally used foreign-aid dependency to explain how political elites have managed to maintain their position without economic change. But the aid thesis is problematic because West African countries are less dependent on foreign aid than on foreign trade. In international trade, therefore, lies the puzzle of West Africa’s limited economic transformation.

The thesis contends that the limited economic transformation in West African countries is a function of the interaction between domestic ruling elites and the EU’s international trade systems with former colonies (Yaoundé Convention 1963-1975; The Lomé Convention 1975-2000 and The Cotonou Agreement 2000- present). The argument of the thesis is that the ruling elites of West African countries have historically used and continue to use the trade and development system to ensure their own political survival, and that this process has perpetuated a static production system and prevented economic diversification and institutional change in West Africa. A theory based on the Limited Access Order (LAO) of Douglass C. North and Jean-Franc̜ois Bayart’s theory of extraversion is used to advance this argument. North’s LAO framework is used to explicate the political origins of economic change in the African state type. Appended to this framework is Bayart’s theory of extraversion, which is used to capture the ways in which the EU’s trade systems interact with political elites to preclude the political conditions for economic change. One contribution of the thesis to the EU-Africa trade literature is to consider the domestic politics driving the trade system from the African perspective. This is important because scholars have continuously theorized the trade relationship with little consideration to the roles of African domestic ruling elites and domestic politics.

# Chapter 1: Introduction

## Gaps in the existing literature on EU-Africa Trade System

In the Treaty of Rome of 1957, the document that laid the foundation for the creation of the European Economic Community (EEC), the integrating European countries created a trade and development association with the disbanding African colonies. In its first General Report, the European Commission explained why the former colonies were associated with the EEC: “the six signatory Governments recognised during the Treaty negotiations that those Member States which carry special responsibilities towards non-European countries and territories would be ignoring their responsibilities if these countries and territories were deprived of the chances of increased prosperity and well-being offered by the establishment of the Community” (quoted in Kawasaki, 2000, 27). In its paternalism, this relationship resembled that between colonizer and colonized, the termination of which was contemporaneous with the creation of the EEC. The Common Market (EEC, later the European Community, EC, and now the European Union, EU) has since maintained a special trade and development system with its African former colonies. Table 1 provide a timeline and precis of the trade systems.

Table 1 Timeline and Summary of EU trade systems

|  |  |  |  |
| --- | --- | --- | --- |
| Year | **Trade system** | **Partners** | **Features** |
| 1957/58   | **Rome Treaty** | Members of the EEC Six and their collective colonies. (a) | Essentially an extension of French colonial monopoly to other EEC colonies (b) |
| 1963-1975  | **Yaoundé Convention** | EEC and ex-colonies | A reciprocal trade system thatextended aspects of the French Protocol and thelate colonial system (price support, for example) and denied policy space.   |
| 1975-2007  | **Lomé Convention**  | The EC and ex-colonies, including hitherto excluded countries  | Non-reciprocal preferential trade system with a price-stability scheme and a commodity protocol  |
| 2007-  | **Cotonou Agreement (Economic Partnership Agreement, EPA)** | EU and the Economic Community of West African States (ECOWAS) (c) | Free**-**trade system under which 75 percent of ECOWAS imports from the EU are to be liberalized over 20 years |

The EEC Six were the founding members of the European Economic Community (Belgium, France, Italy, Luxembourg, the Netherlands and West Germany). As France had the most colonial assets, the inclusion of former colonies into the EEC as part of the European integration project under the Rome Treaty primarily entailed the inclusion of French colonies.

 The EEC’s trade system with former colonies is fundamentally an extension of French trade monopoly to other EEC countries (see Marcussen and Torp, 1982, Chapter 3; Zartman, Politics of Trade Negotiations between Africa and the European Economic Community, Chapters 1 and 2). Indeed, this was the submission of the General Agreement on Tariffs and Trade (GATT) working group commissioned to investigate the trade system installed under the Rome Treaty (Barnes, 1967).

ECOWAS is the regional body of West African countries. Whereas the previous trade systems were negotiated by the ex-colonies as a group, EPAs are negotiated regionally rather than by all of the former colonies, which include members from other regions.

 (Note: European Economic Community [EEC], European Community [EC] and European Union [EU] are used interchangeably in this thesis according to timeline).

The EU-Africa trade relationship has attracted interest from three generations of scholars. Research on the Yaoundé Convention (1963-1975) focused on the colonial heritage of the trade systems (Nkrumah, 1966; Aliboni, 1968; Cosgrove, 1969), along with the negotiation process (Zartman, 1971) and its effects on welfare (Hutton, 1974; Young, 1972; Rivkin, 1968; Ekue, 1968; Soper, 1965). Researchers investigating the Lomé Convention (1975-2000) investigated the negotiation process (Ravenhill, 1985; Hill, 1985); showed how the trade system fitted into what was then known as the New International Economic Order [[1]](#footnote-1) (Anyiwo, 1977; Minta, 1984; Simmonds, 1976); estimated the welfare effects of the agreement (Nabudere, 1976; Shaw, 1979; Frey-Wouters, 1980; Tsanacas, 1989; Babarinde, 1994; Cosgrove, 1994; Faber and Roelfsema, 1997; Sissoko et al., 1998); and discussed the effects of specific parts of the Lomé Convention, such as the price-stability scheme (Wall, 1976; McGregor, 1978; Kokole, 1980; Herrmann, 1982; Ravenhill, 1984; Hewitt, 1993; Herrmann and Weiss, 1995). Research on the current Cotonou Agreement (and the EPA) is much more diffused and voluminous. Scholars working in this area have described a shift from the partnership of the Yaoundé and Lomé eras to coercion in the EPA (Hurt, 2003) due to the EU’s insistence on a free-trade agreement despite disagreement from Africa. Others have estimated the welfare impact of the agreement (Busse and Großmann, 2007; Karingi et al., 2005; Nwoke, 2009; Fontagné et al., 2011; Morrissey and Zgovu, 2007), as well as its influence on the region’s future development prospects (Nwoke, ‎2009; Patel, 2007; Aganga, 2014) and the rise of African agency in defying the EU (Hurt et al., 2013; Trommer, 2011; 2014; Kohnert, 2014). However, very little attention has been paid to the domestic politics or political processes driving the trade system from the African perspective.

Researchers addressing the current EPA have placed increasing emphasis on the rise of African agency (Trommer, 2011; Hurt et al., 2013), no doubt prompted by the evident challenge to the EU’s position by African ruling elites (demanding that development considerations be accommodated, for example). This points to a neglected area of the literature on trade systems: the role of African domestic elites in the formation of these systems, going back to the Yaoundé Convention. This is an important gap, because scholars have continuously theorized the trade relationship with little consideration given to the roles of African domestic ruling elites and domestic politics. Only in the wake of African resistance to the current version of the trade system is African agency being considered.

In terms of the effect of the trade systems, the literature has developed around two broad schools of thought, both of which discount the role of African ruling elites in the construction of the systems. One is aligned with the EU’s official account of the trade systems as fulfilling the development needs of the former colonies, while the other diverges from the official explanation and criticizes the EU for its neo-colonial, imperial and neoliberal agendas (Langan, 2014, 267).

The first group of scholars use the language of liberal co-development/ interdependence to codify the trade system. After the EEC set the terms of the debate in its founding document (the Rome Treaty) by expressing a self-imposed duty to develop the former colonies through a trade and development system (Part IV of the Rome Treaty), liberal writers such as Arnold Rivkin (1958, 1966), Jacob J. Van der Lee (1963, 1967) and Thomas Balogh (1962) published articles acknowledging the development needs of the association. Rivkin and Lambert separately argued that given the traumatizing legacy of colonialism, the EEC must construct a program to assist in the development of the decolonizing countries (Lambert, 1961, 344; Rivkin, 1959, 17). During the Yaoundé Convention, therefore, writers such as Van der Lee, Rivkin and William Zartman framed the trade systems in terms of the provision of development assistance to Africa. Zartman referred to the Yaoundé Convention as “the EEC’s New Deal with Africa” (Zartman, 1970, 20). During the Lomé Convention in the 1970s and 1980s, second-generation liberal writers altered their language to stress interdependence and co-development (Zartman, 1976; Gruhn, 1976). This shift followed a change in the language used by the EC to explicate the trade systems. Therefore, as Mark Langan observed, “there is a significant parallel between the language of EU policy makers and liberal institutionalists” in terms of the developmental function of the trade system (Langan, 2014: 468). Modern liberal writers have stressed the need to integrate the former colonies into the global economy through a free-trade system (MacLeod, 2015; Coste and Uexkull, 2015).

In contrast with the liberal school, early critics argued that the departing colonizers had neo-colonial ambitions and thus installed the trade system as a means of preserving some part of the colonial system (Nkrumah, 1966; Cosgrove, 1969; Soper, 1965). Kwame Nkrumah (the first president of Ghana) formulated the most frequently quoted line of argument: “the limited colonialism of the French period is now being merged in the collective neo-colonialism of the European Common Market which enables other States, hitherto outside the French preserve, to profit by the system” (Nkrumah, 1965, 19). Most critics of the Lomé Convention used the language of dependency theory. David Wall, for example, argued at the time that the Lomé Convention institutionalized a system of dependence through the commodity compensation scheme and extended the colonial division of labour (Wall, 1975, 152). Michael Dolan and Lynn Mytelka used the sugar protocol and price stabilization, respectively, to advance the same argument (Dolan, 1978; Mytelka, 1977). More recently, the critical literature (on the Cotonou Agreement) has moved away from the anti-colonial language of the 1960s, gaining a neoliberal emphasis. The current generation of critical scholars view the recent incarnation of the trade system as part of a global process of neoliberal restructuring: an ideological exportation from the EU to the former colonies (Hurt, 2012; Canterbury, 2009; Gathii, 2011). Stephen R, Hurt, for example, used a neo-Gramscian framework to describe the ongoing “neoliberalization” of the ACP-EU trade system (Hurt, 2003: 161).

Both the liberal and the critical school have placed the EU at the core of the trade system as either a hero or a villain, to the near-complete exclusion of African ruling elites. Indeed, international-relations (IR) literature generally marginalizes Africa’s contribution, even though the continent is the main case study for much IR empirical research – the geographical space in which much that is systematically important to IR has played out (Harman and Brown, 2013, 71; Jones, 2011).

Even a superficial overview of the process of negotiating the trade systems reveals the central role played by African ruling elites in their form and content. For example, William Zartman showed that some of the trade measures identified by critical writers as neo-colonial in the 1960s, during the Yaoundé Convention, were proposed and insisted on by African ruling elites (Zartman, 1971). Furthermore, in its original form, the Lomé Convention was in practice prepared by officials from ACP – notably negotiators from Nigeria (Ravenhill 1985; Gruhn, 1976). Finally, the current EPA is the first of the trade systems whose negotiation was led by the EU, insisting on the form (free trade) and content of the agreement. As a result, almost ten years after the original deadline, most African countries have refused to sign the EPA, to the chagrin of the EU (Heron and Evans, 2016, 15). There is thus a wide gap in the literature regarding the role of African domestic ruling elites in the trade formulation. The current thesis in part fills this gap.

However, the overarching objective of this thesis is to examine the effects of the trade systems with West African countries through their interaction with domestic political elites, with particular reference to Ghana and Côte d’Ivoire. By turning the theoretical focus away from the EU to domestic ruling elites in Africa, the study fills the above gap and also addresses the effects of the trade systems in light of the motivations of domestic political elites. The research problem with which this thesis is engaged is not simply the need for a more robust understanding of the EU-devised trade system from the African perspective, but also the need to explain the limited extent of economic transformation or change in West African countries. The effects of the trade systems will be analyzed with this research problem in mind.

The thesis contends that the limited economic transformation in West African countries is a function of the interaction between domestic ruling elites and the EU’s trade systems. The argument of the thesis is that the ruling elites of West African countries have historically used and continue to use the trade and development system to ensure their own political survival, and that this process (which may have complemented or merged with Europe’s neo-colonial ambitions in Africa after 1957) has perpetuated a static production system and prevented economic diversification and institutional change in West Africa, whether through political inducement or through factor reallocation.

## Research Problem: The Puzzle of Limited Economic Transformation

##

For researchers studying the political origins of economic change and economic diversification in the African states type,[[2]](#footnote-2) the limited economic change or transformation observed in the African continent since independence – particularly in non-resource countries – is a puzzle (see Whitfield et al., 2015 Chapter 1; and North et al.,2015). The economic activities (such as the exportation of cocoa beans) that formed the basis of state rule at independence in the 1960s were unsustainable in terms of both price (due to international price fluctuation) and production (due to diminishing returns created by the relationship between forestland and output). Therefore, ruling elites were vulnerable to political crisis and dislodgement during sustained price reduction or production difficulties. Following a reduction in export prices, for example, the pursuit of political survival (the primary political objective of ruling elites) is bound to direct ruling elites towards economic change in an attempt to retain their position (Doner et al., 2005; Acemoglu and Robinson, 2006; Bueno de Mesquita et al., 2004; Booth and Therkildsen, 2010). As Peter Evans once observed, “as political survival and internal peace are more often defined in economic terms, states have become responsible for economic transformation” (1997, 7).

Yet most countries in West Africa have experienced virtually no economic change since independence, while enjoying internal peace and political order. Despite the increasing difficulty in producing cocoa beans due to diminishing returns, cocoa is still the main export product of both Ghana and Côte d’Ivoire. Scholars have generally used foreign-aid dependency to explain how political elites have managed to maintain their position without economic change (see Clapham, 1996, Chapter 7). But the aid thesis is problematic for two reasons. First, West African countries are less dependent on foreign aid than on foreign trade; for example, while the net ODA received by Côte d’Ivoire in 2014/15 amounted to 917 million dollars (most of which did not constitute a direct cash transfer), net exports exceeded 12 billion dollars, while the figures for Ghana were 1.1 billion against 13.73 billion dollars in exports (OECD, 2016). Since the 1950s, Côte d’Ivoire and Ghana have been the world’s top two exporters of cocoa beans: a product cultivated mainly for exportation, due to the absence of local demand, and from which ruling elites extract the majority of their rent. Second, as recognized in several studies of effective states and inclusive development, whilst foreign aid may sustain a political dictator like Mobutu Sese Seko, it cannot alone provide the kind of political coalition needed for political order without an economic basis.

In international trade, therefore, lies the puzzle of West Africa’s limited economic transformation. The EU is West Africa's biggest trading partner, accounting for 37.8% of its exports; oil is the main product exported to non-EU markets. The EU is also the main destination of West African non-oil agricultural exports. For example, the EU absorbs about 95% of the exports of pineapples, bananas, fishery products and processed cocoa from Côte d’Ivoire and pineapples, bananas and processed cocoa from Ghana.

This thesis contends that ruling elites in West African countries have historically structured the EU international trade system as a system of extraversion (through the demand for and use of price support, price stability and other preferences) to secure an economic basis for their survival. This extraversion has not only precluded the political conditions for economic change but directed production resources into extraverted sectors and created a static economic system. The role of domestic ruling elites in the formulation and use of the trade systems is therefore central to this thesis.

I use a theoretical framework (see Chapter 2) based on Douglas North’s limited access order (LAO) framework to theorize the political origins of economic transformation in the African state type (Whitefield et al., 2015, 11; Doner et al., 2005; Booth and Therkildsen, 2010; Khan, 2010), along with Jean-Franc̜ois Bayart’s theory of extraversion (which shows how ruling elites in Africa actively seek certain relationships to ensure their political survival) to explicate the blockage of the political conditions for economic change in the EU trade system.

## Methodology and Limitation

In this thesis, the following two claims are made.

* The first is that the EU-devised trade and development system with West African countries actively extended the colonial division of labor between the two regions (the neo-colonial claim), perpetuating an outdated colonial mode of production and preventing economic diversification in West Africa.
* The second claim is that the above outcome is an endogenous function of the interaction between the EU’s trade systems and domestic political elites’ quest for survival.

The counterfactual argument is that the region would have been much more diversified in the absence of the EU trade system, because ruling elites would have had to negotiate their political survival by promoting economic change, as per Peter Evans’s above-cited observation.

The precise definitions used here of the terms *African state type*, *ruling coalition* and *ruling elites* are as follows. *African state type*. In both IR and other social sciences, the basic understanding of a state does not apply to states in Africa (North et al., 2008, 17; Gray, 2016, 5; Clapham, 1996; Jackson and Rosberg, 1982). The reality in Africa is not adequately represented by the single-actor model of the state, for example, or by Weber’s thesis that the most important feature of states in which order prevails over violence or disorder is the collective agreement that the state alone holds legitimate control over violence. Instead, as Douglas Lemke observed, the core assumptions of realism (an anarchic structure and security-maximizing units practicing self-help) are present among sub-state organizations in Africa. States in Africa are the product of negotiation between sub-state groups. This is expanded on in the theoretical chapter. A *ruling coalition* is the coalition of such sub-state groups involved in a particular political system. For example, the ruling coalition in Côte d’Ivoire after independence comprised the Baule and northern Ivorians, to the exclusion of Western tribal groups (Marshall-Fratani, 2016, 16). Together, they created the Democratic Party of Côte d’Ivoire (PDCI). *Ruling elites* are the highest-level rulers, such as the president and top party members, within the ruling coalition. The collapse or disintegration of a ruling coalition dislodges ruling elites.

### *Research Design and Case Selection*

This thesis takes an explanatory research design. Explanatory research focuses on ‘why’ questions (De Vaus, 2001, 2). It is one thing to describe a fact or situation that is observed to exist or occur. It is quite another to develop explanations about an observed fact or situation. “Answering the `why' questions involves developing causal explanations” (De Vaus, 2001, 2). This research develops a rich explanation of the absence of economic change in Africa using a theory-testing as opposed to a theory-building approach. Theory-testing research begins with a theory that is subsequently tested with a set of observations. The theoretical framework for this research is outlined in the next chapter. The theory provides a robust explanation of the domestic political origins of economic change in the African state type and shows how the EU trade systems preclude economic change/diversification through extraversion. To test the theory, two of the fifteen West African countries are selected: Ghana and Côte d’Ivoire. The overall strategy is to pursue comparison of the two countries. The use of two case studies enables rich and in-depth analysis and ensures the generalizability and transferability of the findings to other West African countries, as demonstrated at various points in this thesis.

These two case studies were chosen for several reasons. First, to demonstrate the counterfactual position: Ghana joined the trade system in 1975, under the Lomé Convention, and was thus not part of the Yaoundé trade system. This provides a strong foundation for studying the counterfactual hypothesis regarding the EU trade system (i.e. that the region would be much more diversified without the EU trade system because ruling elites would have had to negotiate their survival by promoting economic change) by exploring the political drivers of economic change in Ghana prior to 1975 in contrast with the absence of such drivers of economic change in Côte d’Ivoire (which was part of the EU trade system from 1961), with further comparison of Ghana after joining the trade system. The theory developed in this study is thus tested with reference to the period of the Yaoundé Convention (1963-1975), when some West African countries were excluded from the trade system. Second, Ghana and Côte d’Ivoire have different colonial histories: the former was colonized by Britain and the latter by France. Their selection thus eliminates any explanation resting on similarities in colonial history, as the choice of two Francophone or Anglophone countries, for example, would not. Third and most importantly, the two countries share an export product, cocoa beans, thus providing a fertile basis for comparison.

Although the thesis is not primarily sector-focused (instead, it is ruling elite focused), in-depth case studies from different sectors are used to demonstrate the adverse outcomes of a lack of diversification. For example, in the cocoa sector (cocoa is the main export product in both case countries), an in-depth case study is conducted to explain the temporary nature of cocoa production due to the relationship between production and deforestation, which historically amounted to geographical rotation in the production of cocoa beans (Odijie, 2015). The case study also shows that without the EU trade system, ruling elites would seek to diversify away from cocoa after deforestation (as in Ghana, prior to joining the trade system), but that the EU trade system enabled ruling elites to use cocoa as a system of extraversion (by obtaining a guaranteed price from the EU) and thereby to persuade local planters to continue producing cocoa in worsening circumstances (such as increasing factor cost, which led to child labor trafficking in both countries) due to diminishing returns. I also discuss minor case studies of sugar, pineapple, banana and fishery products – all of which represent systems of extraversion in which ruling elites manipulate the trade system to guarantee their continuous production and exportation. The sector focus is important because the absence of diversification in West Africa has undesirable outcomes.

### *Method: Information Elicitation and Analysis*

Time Period

The empirical chapters are arranged in chronological order. The thesis covers the entire post-colonial history of West Africa from 1957 to 2017, with attention to three trade systems: the Yaoundé Convention (1963-1975), the Lomé Convention (1975-2000) and the Cotonou Agreement (2000-). The Rome Treaty (1957-1960) and the French Protocol (1960-1963) are also covered.

*Units of Analysis*

The main unit of analysis is ruling elites, not necessarily individuals or states. The thesis does not systematically investigate the ideational considerations that motivate specific rulers, but instead predicates a political rationality for survival, which is the central driver of political actions in the African state type (Mann and Berry, 2015, 124). The submission that the principal political objective of ruling elites is to retain power is somewhat axiomatic in the African context. According to Booth and Therkildsen, “what differs across countries and time-periods is the way this general motivation [to retain power] gets translated into incentives to behave in one way rather than another as a result of the specific characteristics of the political and socio-economic system of the country” (Booth and Therkildsen, 2010, 8). Accordingly, it was unnecessary to conduct interviews with ruling elites in this study, as their motivation is well known: to stay in power.

Mechanisms of extraversion

Informal price support, formal price stability schemes and tariff gaps (increased tariffs for non-ACP exporters to the EU) secured from the EU by West African ruling elites.

### *Data Sources and Types*

The data sources used in this study comprise EU trade documents, books, journals and trade figures from Eurostat, FAOSTAT and Trade Map. Printed and online secondary sources are also used, such as books and magazines, newspapers, journal articles and PhD dissertations. The data are in both French and English. The data types are as follows: trade data (direction of trade), price data (world-market prices, producer prices and EU prices) and production data (cost of production, production volume, etc.)

### *Analytical Procedure*

(1) Focus on Ruling Elites. The analysis starts with a comparative case study of ruling elites’ quest for survival in Ghana and Côte d’Ivoire in 1960-1975, under the Yaoundé Convention. Attention is paid to how the economic basis of state rule is manipulated for political survival. The case of Ghana (and by extension Guinea and other West African countries outside the EEC trade system in the 1960s) is compared with that of Côte d’Ivoire (and other countries within the EEC trade system during this period). In the case of Ghana, the link between commodity-price reduction and threats to political elites’ survival is explored in detail, followed by investigation of the link between such threats and governmental efforts to diversify under the regimes of both Kwame Nkrumah and his successor Kofi Abrefa Busia. (The ideological divergence between Nkrumah and Busia, despite their pursuit of similar diversification schemes when they felt vulnerable, discounts any concentration on ideology. Political survival was the main driver for both administrations.) In the case of Côte d’Ivoire, ruling elites’ manipulation of the EEC’s trade system to secure political survival and deflate such threats is explored. This comparative study is presented in the first empirical chapter, Chapter Five.

(2) Sector Focus. Next, sectoral analysis is conducted to demonstrate the continuation of otherwise uncompetitive sectors under the EU’s extraversion system. Case studies of sugar, cocoa, pineapples, bananas and fishery products are reported. This section is slotted into the assessment of the Lomé Convention from 1975-2000, in Chapter Six. The sector analysis demonstrates how EU trade preferences shaped decisions made by ruling elites in terms of sector selection regardless of other considerations of viability or domestic endowment.

(3) Process focus. This section offers an analysis of the current trade and development system (the EPA) with reference to ruling elites’ efforts to maintain their historical advantage through survival strategies in the negotiation process. This section is slotted into the current EPA. I also address the EU’s policy preferences and the potential outcomes of the EPA in different sectors.

The whole analysis is therefore advanced from different angles – ruling elites’ quest for survival (Chapter 5), export sectors (Chapter 6) and the negotiation process (Chapter 7). The three different angles show different parts of the same process: ruling elites’ quest for survival led to the promotion of static sectors, the sectors are outdated (because they are either uncompetitive or have attained diminishing returns) and ruling elites sought to protect them through the negotiation process.

### Limitation

The study’s focus on the EU trade system could be interpreted as a limitation, as this system goes beyond trade to encompass aid disbursement. The European Development Fund (EDF) was created in 1957 and launched in 1959 specifically to disburse aid to the former colonies under the trade and development system. The EDF had a huge effect on some countries’ decision to allow the inclusion of certain provisions in the trade systems, due to their dependence on foreign aid. For example, in 2005, the EU proposed a clause on the fight against terrorism in the revised Cotonou trade agreement/EPA, which was rejected by the West African countries. They only agreed to the clause once it had been linked with a fresh aid-disbursement scheme under the EDF. This demonstrates the importance of aid to the trade system, making its near-exclusion from this thesis a limitation. However, this omission is not without reason: as the EDF is negotiated every five years, its inclusion would alter the focus and structure of the thesis.

Furthermore, specialization in West Africa within the timeframe of this study was clearly affected by development programs outside the EU’s trade considerations. The most obvious example is the structural-adjustment program (SAP) of the 1980s, under which the World Bank and the IMF introduced what came to be seen as market-led policies. These policies evidently affected the development trajectories of Ghana and Côte d’Ivoire. Given the existence of the SAP and other World Bank programs, there is a danger of giving too much weight to the trade system under investigation. These limitations are negotiated within the thesis.

## Thesis Outline

Chapter 2

The second chapter provides a theoretical framework for the thesis. The purpose is to theorize the political origins of economic change in the African state type and show how the EU trade system has prevented the political process of economic change. Borrowing from Douglass North’s LAO framework, the theoretical framework proposed here addresses the political origins of economic change in developing countries, drawing further on Jean-Franc̜ois Bayart’s theory of extraversion to show how the interaction between trade systems and political elites prevents the occurrence of the conditions required for economic change. The theoretical language of the LAO framework expresses political order in developing countries as the outcome of elite bargaining (North et al., 2009; 2011; 2013; 2015): bargaining that secures political order but also creates privileges for societal elites and precludes both institutional impersonality and political and economic competition (Gray, 2015). Such bargaining for political order rests on the achievement of a minimum level of economic performance; failure leads to the disintegration of political order and the dislodgement of ruling elites (Khan, 2010, 4; North et al., 2009, 59). Within this framework, the political origins of economic change are located in the attempt to create or adjust foundations for minimum economic performance when current performance is under threat (Doner et al., 2005). In successive EU trade systems, ruling elites in West Africa obtained external guarantees of current minimum economic performance, thereby precluding the political conditions for economic change. This is expressed in the theory of extraversion.

Chapter 3
The third chapter is relatively brief and seeks to justify the thesis by demonstrating two key imperatives for economic change in West Africa: (1) the developmental imperative and (2) the anti-poverty imperative. The mandate of the study is to show how the interaction between the EU trade system and political elites’ strategies for survival prevented economic change, transformation or diversification. One may ask why this objective is valuable. First, diversification is necessary to promote economic development in the region. Given the qualitative difference between products exchanged in international trade/types of specialization, which is the basis of the new-trade theory (Romer, 1989; Krugman, 1992) and the theory of economic dualism (Lewis 1954), as well as all theories relating historical to economic development from Friedrich List through Joseph Schumpeter to the development economists of the 1950s/60s (see Reinert, 2007), the region currently specializes in the wrong types of economic activities (Whitefield et al., 2015). Second, it is necessary to diversify away from historical (colonial) products to avoid poverty caused by diminishing returns and a changing input-output ratio due to a reduction in production factors (Ravallion, 2016). For example, cocoa is the main export product of both Ghana and Côte d’Ivoire (introduced to both countries during the colonial era), but forestland is a production factor in cocoa farming (Ruf and Schroth, 2004, 112), and the exhaustion of forestland increases the need for other factors (e.g., labor), thereby harming the standard of living of cocoa farmers. Diversification, which has historically been implemented to escape mass poverty after reaching the point of diminishing returns, is currently prevented partly by the EU trade system.

Chapter 4
After the purpose of the thesis has been justified in the third chapter, the fourth chapter addresses the EU-devised trade system from a historical perspective, providing a background for the trade system since the colonial era. The argument of chapter four is that the EEC trade system was conceived and structured to reform the colonial economic system in anticipation of decolonisation. But the EEC’s self-imposed duty/mandate to develop the ex-colonies in the closing days of the colonial system was simply a later version of the “civilising” mandate of the Berlin Conference (1884/5). The chapter demonstrates the transition from a civilising mission to a development mission during the Second World War and tracks the colonial use of this language up to the early days of the EEC. The chapter also provides a valuable context in which to study the first incarnation of the EEC trade system with the African ex-colonies, which was in every respect an extension of the French colonial trade system (Barnes, 1967, 9-10). Although the theoretical framework adopted in this study is centered on local politics, the neo-colonial nature of the trade system is also very important; the focus simply shifts to an analysis of the political realities within Africa.

Chapter 5
The fifth chapter (the first of the empirical analysis) evaluates the first incarnation of the EEC trade system, the Yaoundé Convention (1961-1975). This chapter comprises a comparative study of Ghana and Côte d’Ivoire, extended to other associated and non-associated countries in West Africa. The specialisation and performance of West African countries are shown to diverge considerably according to their participation in the Yaoundé Convention. Côte d’Ivoire and the other associated countries were undisturbed by the commodity-price fluctuations of the 1960s, due to the extension of the market and price advantages of the late French colonial system under the Yaoundé Convention (Tuinder, 1978, 91). As it was not subject to systemic vulnerability and its political elites were not threatened, Côte d’Ivoire encountered less political crisis. Ghana and the other non-associated countries grew more slowly and reacted to the commodity crises in 1961, 1965 and 1971 by attempting to diversify into other production systems. The threat to political survival thus induced elites in the unassociated countries to diversify and attempt economic transformation to find new bases for state rule. At the end of the decade, the non-associated countries were much more diversified than their associated counterparts, due to the unreliability of their colonial products, but had grown much more slowly and experienced more political conflict. However, the unassociated countries (represented by Ghana) joined the trade system in 1975.

Chapter 6
The sixth chapter assesses the impact of the next trade system, the Lomé Convention of 1975-2000. Lomé is shown to have diverged from the previous model, the Yaoundé Convention, but nevertheless to have interacted with political elites’ incentives for survival to produce a similar outcome: extraversion. As all of the West African countries joined the EEC trade system in 1975, the specialisation trajectories of Ghana and Côte d’Ivoire converged in this period. The Lomé Convention continued to protect Côte d’Ivoire’s existing export systems (extended from the Yaoundé Convention and the late French colonial system), but encouraged Ghana to diversify into Ivorian protected products, and also to create new protected products – such as sugar – due to the inclusion of former British colonies in the trade system. This led the governments of Côte d’Ivoire and the other former French colonies to reallocate factors to the newly protected products. In this chapter, the following three aspects of the interaction between the Lomé Convention and ruling elites’ strategies for survival are addressed. (1) The failure of extraversion attempts (using the example of sugar). As new members joined the trade system in the Lomé Convention, the EU undertook to protect new products, creating an opening for ruling elites in old member states to allocate resources to the new products. This in turn led to resource misallocation and a crisis in Côte d’Ivoire. (2) The danger of extending production beyond the point of diminishing returns in products promoted by the Lomé trade system; this is demonstrated using the example of cocoa beans (the main export product in both case studies). (3) The convergence between Ghana and Côte d’Ivoire in their equally sub-optimal production systems, using the examples of pineapples, bananas and fish. In conclusion, the Lomé Convention directed the production system of West African countries into a chain of uncompetitive sectors with no realistic possibility of survival outside the protected market of the EEC.

Chapter 7
The seventh chapter is centered on the current incarnation of the trade system: the Cotonou Agreement or EPAs. EPAs are free-trade systems between the EU and the ex-colonies. When the EPAs were introduced, Ghana and Côte d’Ivoire depended on EU trade advantages for more than 50 percent of their exports. Entire sectors, such as the banana, pineapple, processed cocoa and tuna sectors, were profitable only within the protected zone of the EU, and there is evidence to suggest that these sectors would have ceased to exist without the EU’s trade advantages. In terms of reciprocity, the EPAs represented a reversal of the Yaoundé Convention, which was an extension of the colonial economic system and a divergence from the non-reciprocal Lomé trade system. The EU used the bait of the continuation of trade advantages and market preferences to promote the EPA by undertaking to remove trade and market advantages (which are the basis of several sectors in several West African countries) from countries that refused to sign the free-trade system. The EPA was initially rejected by civil-society institutions and intellectuals, mostly due to its resemblance to the structural-adjustment program of the 1980s (in the feature of trade liberalisation, for example). To prevent crisis in the event of the EU’s withdrawing its trade advantages, many ruling elites accepted the EPAs. However, countries such as Nigeria, whose political elites depended not on the continuation of the EU’s trade advantages but on crude oil, initially refused to sign the agreement, unlike Ghana and Côte d’Ivoire.

The seventh chapter is divided into two parts, addressing the establishment of the EPAs and their consequences for specialisation in West African countries, respectively. Several arguments are advanced. First, I contend that ruling elites in West Africa signed EPAs simply to protect existing market advantages. Second, I show that the market advantages that the EPA was signed to protect are currently shrinking due to unrelated developments in the EU market; for example, new FTAs with more competent suppliers of bananas, pineapples and fish are displacing West African exports to the EU and the WTO’s liberalisation commitment/post-2008 liberalisation in the EU (though this is a good thing according to my theory, because ruling elites will be forced to reallocate factors into other sectors). Third, I argue that the EPAs, which amount to a 75 percent liberalisation of trade from the EU, prevent diversification by reducing policy space and restructuring the West African region according to the EPA exclusion list (i.e. West African countries are now pursuing similar development programs on the basis of the common exclusion list). In sum, I argue that the EPA represents progress compared with the Yaoundé and Lomé trade systems because it removes the opportunity for extraversion (for example, the EU abolished the use of price support in the EPA in favor of tariff advantages – which are currently shrinking). There is a good chance that West African ruling elites will not ratify the EPA (Nigeria refused to ratify the trade system two years after its signage).

Chapter 8
The concluding chapter brings everything together. In essence, the EEC trade system was discursively created to perpetuate colonialism in a different form (Chapter Four), although this motivation was obscured by the language of development (Langan, 2016, 27). The current thesis, however, diverges from such considerations to investigate the interaction between the trade system and ruling elites’ strategies for survival. The concluding (discussion) chapter opens with my theoretical contribution to the literature on the political survival of ruling elites. It then summarises and offers an inventory of the empirical findings (reported in Chapters Five, Six and Seven). The implications and contributions of the study are discussed; the latter covering both its contribution to the literature on the EU-Africa trade system and its contribution to development studies more broadly. Gaps in the existing literature and directions for further research are identified at the very end of the concluding chapter.

# Chapter 2: Political Survival of Ruling Elites

## Introduction

The key objective of this chapter is to provide a theoretical framework for the thesis. It is impossible to investigate the EU’s trade systems in a vacuum, without reference to the context of the EU, the global context or the West African context. Most researchers have focused on the EU or the global context. For example, in his study of the EPA from the EU’s perspective, Mark Langan used the theoretical language of normative power and moral economy to demonstrate the role of power and interests in shaping norms within the trade systems, and also showed the potential for a normative-outcome gap (Langan, 2014, 272). Other writers have used a framework positing that the entire ACP-EU trade system should be understood as encapsulating the liberal norms of North-South trade relations at any given time (Brown, 2000, 368). Within this framework (that references the global context), the EU exports global liberal norms to Africa through the trade system, and the current EPA was written in terms of the exportation of neoliberal norms to Africa (Siles-Brügge, 2014; Canterbury, 2009; Gathii, 2011; Hurt, 2003, 161). A focus on the trade systems from an ACP or African perspective necessitates a theoretical language reflecting this focus. For example, in the book *Collective Clientelism*,John Ravenhill’s focus on the ACP led him to theorize the Lomé Convention as a clientelist relationship constructed by ACP rulers as a particularistic arrangement to provide insurance against the insecurities of the marketplace (Ravenhill, 1985, 3). Likewise, the West African context is central to the current study and its theoretical framework.

The link between the trade systems and the absence of economic change in West Africa is the empirical focus of the thesis. Douglass North’s LAO framework (North et al., 2009; 2011; 2013; 2015) is used to explicate the political origins of economic change in the African state type (with the absence of economic change being explained as a function of the interaction between the EU trade systems and domestic elites). Appended to this framework is Jean-Franc̜ois Bayart’s theory of extraversion, which is used to capture the ways in which the EEC’s trade systems interact with political elites to preclude the political conditions for economic change. In other words, the framework provides testable explanations of the domestic political foundation for pursuing economic change in the African state type and shows how such an attempt is precluded by the EU trade systems.

First, North’s LAO framework offers an understanding of the centrality of elite coalitions to political order in developing countries (where loyalty is given to ethnic and other groups as opposed to the central government), and how the formation and activities of such coalitions lead to an institutional logic of clientelism (North et al., 2009). The authority of such coalitions is based on the achievement of a minimum level of economic performance (Khan, 2011, 4); falling short of this requirement inevitably dislodges ruling elites (Sen, 2014). Therefore, in LAO countries (countries in which politics are constituted by the actions of elite coalitions), the failure to meet a minimum level of economic performance is related to the collapse of coalitions and political order (North et al., 2015, 6). In this theoretical language, the political origins of economic change are located in the attempt to meet the minimum economic requirement for political survival (Doner et al., 2005). However, using Jean-François Bayart’s theory of extraversion (the use of external relations to guarantee political survival), I show that ruling elites in West Africa have used the trade systems under investigation to solve the problem of meeting a minimum economic requirement, thereby precluding the political conditions for economic change.

The following sets out the theoretical framework: the assumptions of North’s LAO framework (for the African state type); the political origins of economic change in LAO; and Bayart’s extraversion theory, which shows how ruling elites in West Africa have used the EU’s trade systems to ensure their survival.

## Assumptions of LAO Framework (for the African State Type)

The starting point of the access-order framework is the deflation of the single-actor model of the state and Weber’s thesis that the most important feature of states in which order prevails over violence or disorder is the collective agreement that the state alone holds legitimate control over, or a monopoly of, the means of violence (North et al., 2008, 17; Gray, 2016, 5). The Weberian idea is evidently problematic when applied to developing countries in which the state is viewed with some degree of hostility by subjects and loyalty is afforded to an ethnic or other sub-state organisations. North and his co-researchers reasoned that political order in such cases is clearly not the outcome of the state monopoly of violence but the result of a bargain between different groups represented by powerful individuals. Within this framework, powerful individuals are elites with various leadership positions, material or intangible (religious, ethnic, etc.), that give them the option of mobilizing group violence when needed.

In *Violence and Social Orders*, North et al. (2009, 1) defined societies in which political order is achieved through the above process of bargaining as ‘LAO societies’. The conception of political order in developing countries as a process of elite bargaining raises the question of the outcome of such bargaining. North and his co-researchers posited that the outcome of such an agreement is mirrored in clientelistic institutions (mostly informal) that distribute privileges to elites and groups, such as power sharing and zoning; the resulting privileges by their very nature limit economic and political competition (North et al., 2008, 19; 2013, 8). The ‘limited’ component of the term ‘LAO’ conveys the impossibility of economic and political competition in such societies: powerful elites receive privileges that by their very nature preclude the development of institutions promoting political and economic competition.

As North et al. (2009) argued, social scientists concerned with how the state interacts with wider society have modeled the state as a rent-/revenue-maximizing monarch. However, when the state is revealed to be a coalition of diverse groups, neopatrimonialism and clientelism (common in Africa, and conceptualized as political systems in which leaders use state resources to secure the allegiance of certain groups in the general population; Bach 2011; Pitcher et al., 2009) are, according to this framework, a means of solving the problem of violence. “Systematic rent-creation through limited access,” wrote North et al., “is not simply a method of lining the pockets of the dominant coalition; it is the essential means of controlling violence” (North et al., 2009, 17). Accordingly, LAO societies must have a source of rent extraction to prevent the disintegration of the coalition that creates political order (Sen, 2015, 47).

The political realities of African countries conform to theoretical explications of LAO. Several writers have already submitted that the general conception of the state in the IR literature does not fit with the African reality (see Clapham, 1996; Harman and Brown, 2013). The African political reality, as theorized by Douglas Lamke (2011), is one in which sub-state groups such as ethnic groups fight for power on the center stage. According to the LAO theory, the African state type is the product of negotiation between sub-state political organizations represented by elites, regardless of the formal political system. For North et al., all developing countries are characterized as LAO, but the distinction is made between ‘fragile’ LAO societies with high levels of violence and rebellious activities, ‘basic’ LAO societies in which governance is fairly well established and violence is often latent and managed, and ‘advanced’ LAO societies featuring long-lasting coalitions and a high level of organization.

Broadly speaking, North distinguished between LAO and open access order (OAO) societies; the latter are common in developed countries. “All open access societies satisfy the Weberian assumption: their states possess a monopoly on the legitimate use of violence” (North et al., 2008, 22). In OAO states, political order is not the outcome of negotiation between different powerful groups; therefore, ‘impersonality’ is possible alongside political and economic competition because there is no distribution of privileges for the sake of political order. Naturally, therefore, OAO societies are more peaceful than their LAO counterparts, and experience greater and more stable growth due to economic competition. As most Western countries are OAO states, the political logic is completely different in developed and developing countries. Although North and his co-researchers proposed that the transition from a limited-access to an open-access system involves the attainment of a set of ‘doorstep conditions’ (the rule of law for elites, perpetually lived organizations in the public and private spheres, and consolidated control over the military), the question of transition is open to further research. However, this question is somewhat extraneous to the current research.

More specifically, it is worth noting that the theoretical language of North’s access orders is similar to that of the theory of political settlement proposed by Mushtaq Khan (Gray, 2015). Like the access-order framework, the political-settlement framework begins with an understanding of the underlying political logic and distribution of power between social groups in the political systems on which states are based in developing countries. In other words, a political settlement is a form of social order based on agreements between groups that set the context, both formal and informal, for government policy and institutions (Di John and Putzel, 2009; Khan, 2011). This is essentially a restatement of North’s position. Institutions are defined by both Khan and North as the rules that guide social and economic interaction; but they also determine the flow of resources to different groups and thereby create winners and losers. The distributional logic of dominant political and economic institutions in LAO states must reflect the underlying distribution of power. For Khan (2010, 40), institutions that deviate from the underlying distribution of power will be either sabotaged or overturned by the political context. Like North et al., Khan characterized political settlements in developed countries as fundamentally different from those in developing countries. Khan used the term ‘clientelist political settlements’ (which form a broad category in modern developing countries), in which underlying power structures create preferential institutions that reflect the bargaining of ruling elites, to restate the LAO framework. Clientelist political settlements have a broad range of political arrangements, from military dictatorship to competitive clientelism and a one-party state. It is not the political system but the underlying bargaining of ruling elites that leads to the “settlement” or order (Khan, 2011, 30). Whereas North used the term ‘OAO’ to characterize the political systems of developed countries, Khan used that of ‘capitalist political settlements’, arguing that formal institutions in developed countries reflect the dominant economic power of capitalists.[[3]](#footnote-3)

But to return to the issue: according to North et al.(2015, 4), the LAO framework poses two developmental problems, one of which is central to this thesis. The first problem is how to understand the transition of societies from LAO to OAO systems or from clientelist settlements to capitalistic political settlements. The failed Washington consensus and the good-governance approach addressed the first development problem, seeking to dislodge clientelistic features in developing countries to promote effective resource allocation or economic competition. Both North and Khan were opposed to the good-governance approach, or what Peter Evans called institutional monocropping, wherein idealized versions of Anglo-American institutions are imposed on developing countries to dislodge clientelist features (Khan, 2011, 30: Khan, 2012, 669; North et al., 2015, 3). As North et al. wrote, “the Washington consensus of the 2000s is dominated by efforts to embed institutions of open access orders – property rights, entry into markets, elections, or institutions of good governance – directly into limited access societies. Because these reforms ignore the logic of the LAO, they usually fail to produce development and sometimes exacerbate the problem of violence” (North et al., 2015, 3). However, the problem of transition from LAO to OAO states is outside the purview of the current study.

The second problem is how to understand development and structural change within a LAO state or in a clientelist political settlement (North et al.,2015, 4). LAO societies exist on a spectrum from pro-development through sterility to anti-development. A raft of scholars have aided understanding of developmental changes within LAO societies or clientelist political settlements (Doner et al., 2005; Booth and Therkildsen, 2010; Gray and Whitfield, 2014; Whitfield et al., 2015). Some researchers have shown that the presence of technologically strong domestic capitalists within a ruling coalition leads to successful economic transformation because the advantages offered to these capitalists for clientelistic purposes, such as subsidies and trade advantages (e.g. infant-industry protection), are industrial policies in themselves (Khan, 2010; Whitefield and Gray, 2014; Whitefield et al., 2015). In other words, the distributional logic of a political coalition that includes domestic capitalists stresses the promotion of domestic capitalism. Therefore, it is necessary to determine the nature of domestic capitalists and their relative power in the ruling coalition to understand the movement of government policies and institutions (formal and informal) towards support for local capitalism. Indeed, the development of some Asian countries has been written in these terms: as clientelist systems in which ruling elites favored coalition members and in the process built up local industries (Booth and Golooba-Mutebi, 2011; Kelsall, 2011).

Likewise, Gray and Whitfield (2004, 20) argued that the lack of structural transformation in Africa after independence was due to the absence of local capitalists in the ruling coalition that emerged at the point of independence. In countries whose ruling coalitions included practitioners of small-scale agriculture (for example, cocoa and coffee planters were part of Côte d’Ivoire’s ruling coalition after independence), small-scale agriculture was promoted as part of the distribution of privileges to powerful groups regardless of their economic viability. For example, the negotiation of the political settlement that emerged from the colonial system in Côte d’Ivoire involved cocoa and coffee planters (McGovern, 2011, 77; Marshall-Fratani, 2006). Therefore, some of the informal institutions (such as open-land and immigration policies) in Côte d’Ivoire in the 1960s favored cocoa planters. However, the crucial theoretical question concerns the factors that lead ruling elites to pursue economic change in such circumstances. This is especially important because the pursuit of economic change can be politically costly in LAO societies (see Mann and Berry, 2015, 124): it necessarily involves resource reallocation, the enforcement of new rules, the choice of new winners, and institutional changes, all of which may alter distributional patterns and affect entrenched interests (Whitefield et al., 2015, 61).

In other words, LAO societies have certain ingrained economic arrangements, such that economic change (in ordinary times) may threaten the position of ruling elites and their coalitions. For example, in Côte d’Ivoire, where cocoa planters were part of the ruling coalition (and ruling elites, such as the first president, Félix Houphouët-Boigny, and his top aides, were among the top cocoa planters in the country), there was not only an institutional bias towards cocoa planting but a desire to prevent local capitalists outside the ruling coalition from gaining too much economic power. Diversification away from cocoa was therefore not in the immediate interest of the ruling elites. Several scholars have observed that in post-independent African countries, ruling elites have actively prevented the emergence of local capitalists due to their fear of displacement (Fieldhouse, 1986, 144). How to understand the political origins of diversification in such a setting is the real issue here.

## Political Survival of Ruling Elites and Political Origins of Economic Change

The previous sub-section provides a basic outline of LAO societies, in which political order is the outcome of elite bargaining and such bargaining restricts economic and political competition. This sub-section theorizes the political origins of economic change in LAO societies. As argued by North et al. (2013) and Khan (2010, 5) the principal agents in LAO societies are the ruling elites at the top of the coalition. For analytical purposes, the pursuit of political order through the distribution of privileges to coalition members can be considered analogous to the pursuit of political survival by ruling elites through the same clientelistic method (Booth and Therkildsen, 2010, 8; Gray, 2016). Indeed, long before the LAO and political-settlement frameworks, scholars saw neopatrimonialism in African countries as a means of attaining the political support needed for survival (Sandbrook, 1972; Lemarchand, 1972; Berman, 1974; Arriola, 2009; Clapham, 1996; Bratton and van de Walle, 1994; Beekers and Van Gool, 2012).

North and Khan stressed the importance of the concept of ‘political survival’ to understanding the rationality of ruling elites. Rational political actions are actions motivated by the desire to retain power, which in the broader sense includes the desire to keep the ruling coalition/pact intact. The conceptualization of rational political actions is a valuable analytical tool in the development of empirically testable propositions because rational political actions taken to ensure political elites’ survival may come into direct conflict with economic progress (see Geddes, 1994). In such cases, ruling elites may resist economic progress to secure their position. Acemoglu and Robinson theorized this scenario in terms of the “political replacement effect,” wherein ruling elites resist societal progress if it threatens to dislodge them (Acemoglu and Robinson, 2006, 115).[[4]](#footnote-4) Likewise, rational political actions may lead to the pursuit of economic change and the alteration of the ruling coalition.

Following the logic of rational political actions, and within the context of a limited access order, economic transformation or economic diversification (which is by definition an alteration of the coalitional agreement to the extent that it involves political participation) is best understood as a political strategy for survival (Leftwich, 2008, 13). This is partly what some writers have in mind when they describe development as a political process (Doner et al., 2005: Eriksen, 2005; Khan, 2010; Hudson and Leftwich, 2014). That is, ruling elites allocate state resources (which are required for economic change) to maintain their political positions (Khan, 2011, 4; Bueno de Mesquita et al., 2004, 12). The question is thus as follows: when does economic change or diversification become a political-survival strategy within a LAO society?

As stated in the previous section, both the LAO framework (North et al., 2009 20) and the political-settlement framework (Khan, 2010,4) hold that the interaction between the two units – ruling elites and the coalition that keeps them in power or provides order – determines the context for institutions (mostly informal institutions) and government policies in terms of resource allocation. But more importantly, this interaction must provide the minimum level of economic viability on which the ruling coalition is based. In other words, there is a minimum level of economic performance that all LAOs and elite coalitions must achieve to generate sufficient rent to sustain themselves (Khan, 2010, 44; Sue, 2014, 4). This level of economic performance must be met to extract the revenue needed to support the neopatrimonial network and meet the general expectations of the public (North et al., 2009, 57; North et al., 2015, 9). Kunal Sen (2015, 47) argued that no elite coalition (political settlement or social order) that produces very poor economic outcomes or falls short of achieving minimum economic performance can survive except through oppressive means.

Therefore, the failure to meet the minimum level of economic performance is related to the collapse of elite coalitions. Much of the literature has posited that the failure to meet the minimum required level of economic performance roughly translates to political crisis, which is an immediate threat to ruling elites. North et al. (2015, 6), for example, argued that the collapse of the Marcos regime in the Philippines was due to a fall in commodity prices, which reduced the rent level and disintegrated the elite. Similarly, Whitfield argued that the breakdown of the Ghanaian political settlement in the 1970s and the early 1980s (with five changes of government between 1972 and 1981, of which four were military coups) was partly due to the failure to achieve the minimum level of economic performance following a crisis in the cocoa sector (Whitfield, 2011, 10). The loss of legitimacy and eventual dislodgement of Kwame Nkrumah in the 1960s have also been explained in these terms (Killick, 1978, 100). The implication is that ruling elites’ incentives for political survival, and more broadly political order, include a strategy to achieve the minimum required economic performance in times of crisis that affect the existing source of economic performance. Adrian Leftwich described this phenomenon as the economic settlement of a political settlement (2010, 22).

Efforts to attain the minimum level of economic performance offer crucial insights into shifts in economic focus, diversification, changes in ruling elites’ configuration/coalitions and institutional changes. The idea that a threat to political survival may lead to economic diversification and transformation is at the core of recent investigations into the political origins of the developmental state. For example, proposing their theory of systemic vulnerability, Richard F. Doner, Bryan K. Ritchie and Dan Slater argued that states become developmental when ruling elites face existential threats. They compared the newly industrialized countries of South Korea, Taiwan and Singapore with Indonesia, Malaysia and the Philippines to show that the former states became developmental when ruling elites faced challenges to their rule. Doner et al. (2015) modeled three types of threat that induce political elites to pursue economic transformation: reduced living standards, a fall below minimum economic performance, and war or budget constraints.

Although I focus here on the political origins of diversification and economic change, it is crucial to note that changes provoked by a reduction in minimum economic performance in LAO communities naturally go beyond the economic, involving political changes (in the form of changes to coalitions) and institutional changes (in terms of the re-ordering of distributional logic – choosing new winners and losers) (see Whitfield and Buur, 2014; Mosley, 2014). In essence, economic changes cannot be attained without changes in institutional logic (North et al., 2009; Khan, 2010; Whitfield et al., 2015). For example, in an effort to understand changes in political coalitions, Bueno de Mesquita and his colleagues borrowed from the historical literature to argue that periods of crisis caused by a reduction of rent (or a reduction in minimum economic performance) represent critical junctures that create incentives for political reform (Mesquita et al., 2004, 42), this is similar to the argument made by Paul Mosley in his study of coalitional changes in LAO (2014). Mesquita et al warned that the post-1945 development industry may have obstructed the conditions required for coalitional (and subsequently institutional) and economic change in developing countries. Writing on the provision of financial aid by the World Bank and the International Monetary Fund during crises in developing countries, they argued that “by bailing out leaders during such crises, these organisations may unwittingly hinder political reforms” (Mesquita et al., 2004, 42).

In light of the above, in theory, there is a periodic political drive towards economic change, or crisis and the dislodgement of political elites, in LAO countries. Both Khan and North argued that LAO societies are constantly changing both politically and economically due to the constant readjustment of the minimum level of economic performance. In West African countries, where the main sources of rent extraction are cocoa and coffee exports, the dislodgement of ruling elites and eventual political crisis can only be prevented by economic change, for two reasons. First, an international price drop over a sustained period of time will reduce minimum economic performance and threaten not only political elites but political order itself. This is precisely what happened in Ghana, Nigeria and Guinea in 1960-1965, when the price of cocoa beans reached crisis point and the Nkrumah government was threatened with street riots and the disintegration of the elite coalition (for example, Ashanti chiefs renounced Nkrumah and the CPP had most local chiefs deposed as a result). Second, regardless of international prices, rent extraction is not sustainable for products like cocoa and coffee, which are susceptible to diminishing returns due to the relationship between forestland and cultivation. The exhaustion of forestland (a finite resource) thus leads to a reduction in rent and an eventual reduction in minimum economic performance (Odijie, 2015). This was to some extent the case in Ghana from the 1970s.

The limited economic transformation and relative political order of Côte d’Ivoire and Ghana therefore constitute a puzzle that requires thorough explanation. Foreign aid does not explain the puzzle because West African countries are mostly dependent on trade. I argue that ruling elites in West African countries have historically seen the EEC trade system as a means of guaranteeing their minimum economic performance in order to secure their position. Securing a static level of minimum economic performance (through mechanisms such as price support/stabilization) breaks the link between threatened minimum economic performance and the political origin of diversification and creates an economic/production function. Africa’s limited economic transformation (which has been a puzzle for several researchers in the LAO tradition, such as Lindsay Whitfield, Ole Therkildsen, Lars Buur and Anne Mette) can be explained with reference to the guarantee of minimum economic performance obtained by ruling elites from the EU in both the Yaoundé and the Lomé Convention. I defend this proposal using Jean-François Bayart’s theoretical language of extraversion.

## Trade Extraversion in LAO

The theory of extraversion was first propounded by the French political theorist Jean-Franc̜ois Bayart as a criticism of the panoply of explanations for the exploitative relationship between Africa and the external world. Criticizing such theories (dependency theory, for example) in all their variants, Bayart rejected the notion that African societies are passive objects of a dependency process and argued instead that ruling elites in African countries tend to actively seek certain dependency relationships to ensure their own political survival in order to stay in power (Bayart, 2002, 21). Bayart’s empirical account returned to the transatlantic slave trade, which according to several historians, notably A. G. Hopkins, Basil Davidson, P. D. Curtin and Kenneth Dike, was the basis of political power in several slave-trading societies; as a result, abolition was resisted by domestic ruling elites because it denied them the economic basis for state rule (see Law, 2002). For Bayart (2010, 23), ruling elites in African countries not only participated in such relationships with the outside world, but sometimes initiated them for their own political gain.

Bayart wrote that “the leading actors in sub-Saharan societies have tended to compensate for their difficulties in the autonomization of their power... by deliberate recourse to the strategies of extraversion, mobilizing resources derived from their (possibly unequal) relationship with the external environment” (Bayart, 2000, 218- 219). Theoretically, for the purpose of this research, Bayart’s extraversion theory shifts the critical gaze to domestic ruling elites. Furthermore, extraversion is clearly a theory of political rationality in LAO societies because it separates the interests of ruling elites from those of the state and society at large, and posits that the principal political objective of ruling elites is to obtain and retain power, with external relations manipulated to this end. But on its own, Bayart’s theory of extraversion lacks a complete theoretical system. For example, Bayart seems to have contended that extraversion occurs only in Africa (Bayart, 2010, 51), without providing an explanation for this phenomenon. Why is extraversion unique to Africa? Clearly, questions of the nature of states and ruling elites in Africa are at the core of extraversion theory. The LAO framework provides a complete understanding of the nature of states in Africa: as coalitions of elites who seek to retain their position. Differentiating this type of state from others will enhance the theory of extraversion.

But to return to our line of research, the theoretical language of extraversion describes the relationship between domestic ruling elites in West Africa and the EU trade system in relation to minimum economic performance. A clear example of Bayart’s extraversion theory (vis-à-vis minimum economic performance) is the trade system between France and its African colonies in the last stage of the colonial period, from 1955 to 1961. During a commodity crisis in 1956, domestic ruling elites in French West Africa pleaded with France to pay higher prices for their raw materials to prevent a political crisis (Campbell, 1978, 71). The ruling position of the domestic ruling elites was to some extent based on the exportation of colonial raw materials; in Côte d’Ivoire, for example, the ruling coalition emerged from the cultivation of cocoa and coffee (Boone, 2007, 73; Losch, 1994, 25; Marshall-Fratani, 2006, 16). As a result, their negotiation for price support for these products amounted to negotiation to secure their own survival. From 1956 to the end of the decade, the world-market price for coffee declined by almost 50 percent, as observed in a report by the World Bank; however, Côte d’Ivoire and other West African countries were shielded from this price drop (World Bank, 1963, 10). France also stepped in to subsidize the price of cocoa (from 1958), bananas and pineapples into independence. The failure to achieve minimum economic performance, a local-power problem, was thus solved with recourse to trade extraversion.[[5]](#footnote-5)

Whilst Bayart’s extraversion theory explains elites’ recourse to foreign assistance to solve domestic problems, he also unintentionally provided a theory of the absence of economic change in Africa: the political origins of economic change are activated for problem-solving. The late-colonial process of extraversion mentioned above is important because price support was not extended to Guinea from 1958 (a country neighboring Côte d’Ivoire, with a similar export portfolio), creating challenges for the ruling elites (under Ahmed Sékou Touré). Guinea diversified completely away from cocoa, coffee and bananas as a strategy for political survival (World Bank, 1966). Bayart’s extraversion is important to analysis of the EU’s trade with West African countries because it helps to illuminate the role played by ruling elites in determining the form and content of the trade system. Given the role of domestic ruling elites in the negotiation and outcomes of the EEC-devised trade systems (especially the Yaoundé and Lomé Conventions), the appropriate starting point for studying the EU trade system, according to Marcussen and Torp, is 1955, when a reduction in commodity prices prompted ruling elites to negotiate price support with France (Marcussen and Torp, 1982, 50). At independence, most political elites in the former French colonies sought to secure the continuation of the price support – which guaranteed the minimum economic performance (Campbell, 1978, 84).

The first EEC trade system was a means for ruling elites to negotiate the continuation of trade extraversion by protecting existing economic systems. In the Yaoundé Convention (1963), therefore, West African ruling elites in former French colonies argued for the preservation of French price support and market advantages (Marcussen and Torp, 1982, 49). The EEC agreed to continue providing price support and to extend the French market advantages, but used this leverage to install its own policy preferences in West African countries in the form of reciprocal free trade between the regions.

After the Yaoundé Convention, at the entry-points to the EU trade relationship in 1975 and 2000, West African ruling elites negotiated to preserve the existing level of minimum economic performance through several mechanisms, the most obvious of which was a system of price support (EEC, 1963; 1975). The continuation of the trade systems perpetuated a static production function in certain products. The Yaoundé Convention (1963) provided price support and market preferences for existing export systems in West Africa, which happened to be colonial specialization systems. Export products that were otherwise uncompetitive in the global market – such as pineapples and bananas – were protected in the EEC market. This effective protection lasted through the commodity crisis of the 1960s until 1975, when the Yaoundé Convention was replaced. On entering the Lomé Convention, ruling elites were again interested in a trade system that would “provide insurance against the insecurities of the marketplace” (Ravenhill, 1985, 3) in order to protect their countries’ existing export products, which happened to be the products protected under the Yaoundé Convention. The Lomé Convention thus institutionalized a price-support scheme for the same products that had received informal price support under Yaoundé trade provisions, and provided a quota and guaranteed market for uncompetitive products such as bananas and pineapples. These products were protected until the end of the Lomé Convention.

By 2007, when the Lomé Convention was replaced, a number of export systems in West Africa were totally dependent on market advantages from the EU and had never been competitive in the global market (bananas and pineapples, for example). The EPA, which replaced the Lomé, was negotiated and signed specifically to perpetuate the Lomé market advantages. Although the trade systems diverged in their provisions (Yaoundé was reciprocal while Lomé was non-reciprocal), from the African perspective the trade systems performed the same function of guaranteeing the existing economic system against the reality of market fluctuations and threats to political elites. One practical effect of this static system of extraversion was the extension of outdated products that are susceptible to diminishing returns and in which diversification ought to occur regardless of price signals. The societal effect of continued production in such products (child trafficking, for example, in the case of cocoa, due to the increasing factor requirement in a post-forest era) is an extended outcome of the EU trade system.

In studying the EU-devised trade system, I argue that the absence of change or diversification in West African economic systems, which has been highlighted as a puzzle in several studies (Whitfield, 2011; African Development Bank, 2000, 165; Van de Walle, 2009; De Vries et al., 2015), can be explained by the interaction between the EU trade system and West African elites’ strategies for survival, which end up protecting the minimum level of economic performance. This submission is tested with reference to the 1960-1975 period (during the Yaoundé era), when some West African countries were not aligned with the trade system. Countries that were not associated with the trade system experienced crises that threatened elites’ political survival, and diversification strategies were formulated accordingly. This framework is applied to the trade systems both separately and chronologically.

## Conclusion

This chapter provides a theoretical framework for the study, namely the “political survival of ruling elites” approach. The purpose of this theoretical framework is to theorize the political origins of economic change in the African state type and to show how the EU trade system acts as a system of extraversion to prevent economic change. The political survival of ruling elites approach was born out of the LAO framework proposed by Douglass C. North, John Joseph Wallis, and Barry R. Weingast (2008; 2009; 2011; 2013). The theoretical language of the LAO framework expresses political order in developing countries as the outcome of a process of elite bargaining (Gray, 2015, 6). All societies must deal with the possibility of internal disorder and violence, especially developing countries in which loyalty is to the ethnic as opposed to the state unit. The LAO framework created by Douglas North and his colleagues incorporates the problem of preventing violence into a larger social science and historical framework, showing how economic behavior and political behavior are closely directed towards solving the problems of violence and disorder.

According to North, most societies in the former colonized world deal with the problem of order by politically manipulating their economies to privilege individuals whose collaboration is needed to attain peace (North et al., 2008, 1). LAO countries must meet minimum requirements for economic performance (Khan, 2011, 4), as the failure to do so will dislodge ruling elites. Therefore, in LAO countries (countries in which politics are constituted by the actions of an elite coalition), the failure to achieve a minimum level of economic performance is related to the collapse of coalitions and political order (North et al., 2015, 6). In this theoretical language, the political origins of economic change lie in the attempt to meet the minimum economic requirement for political survival (Doner et al., 2005). But Jean-François Bayart’s theory of extraversion (the use of external relations to guarantee political survival) shows how ruling elites in West Africa have solved the problem of meeting minimum economic requirements through the EEC trade system, thereby precluding the political basis for economic change.

The theoretical framework is superior to other ways of looking at the EU trade system for several reasons. Firstly, it acknowledges and explicates African elites contribution to the trade system, and the domestic politics driving the trade system from the African perspective. Other ways of looking at the trade system in general, for example Langan’s moral economy (see the introduction to this chapter), discount the evident contribution of African ruling elites in the design of the trade system. Secondly, the theoretical framework helps us to answer the research problem of limited economic change in West African countries. With an understanding of the nature of African countries and the motivation of ruling elites through the theoretical language of LAO, the use of the trade systems for extraversion can be easily comprehended. Furthermore the thesis adopts a theory-testing as opposed to theory-building approach, and the empirical chapters test the theoretical framework. One important part of the theoretical framework is a counterfactual approach to the EU trade system: that is, without the EU trade system, ruling elites would (1) be faced with more political threats due to the failure to meet a minimum level of economic performance; and thus (2) attempt to diversify to secure their position. This will be tested in the empirical chapter. Parts of Chapter 5 show how the ruling elites in Ghana (outside the EEC trade system before 1975) reacted to a reduction in minimum economic performance.

In conclusion, the general objective of the study is to show how the interaction between the EU trade system and African political elites’ strategies for survival has prevented economic change, transformation or diversification. One might ask why this objective is worthwhile. In other words, does it matter whether the trade system has prevented economic change? What is so important about economic change? To justify the focus of the thesis, the third chapter demonstrates the necessity of economic change in West Africa.

# Chapter 3: The Imperative of Economic Change

This chapter is relatively brief, as it performs the single objective of demonstrating the necessity of economic change/transformation in West African countries. In doing so, it justifies the purpose of the thesis, which is to investigate the effects of the EU trade system in West African countries, especially its role in preventing diversification and economic change.

Economic change is needed in West African countries for two main reasons. First, it is necessary to diversify in order to promote the region’s economic development. Following new-trade theory (Romer, 1989; Krugman, 1992), the theory of economic dualism (Lewis, 1954), and historical theories of structural change from Friedrich List through Joseph Schumpeter to the development economists of the 1950s/60s (see Reinert, 2007), there is a qualitative difference between products exchanged in international trade in terms of their link with structural change and development. West Africa currently specialises in the wrong types of economic activities. Second, it is necessary to diversify so as to avoid either mass poverty deriving from diminishing returns or a changing input-output ratio due to a decrease in the production factors required for key sectors in Ghana and Côte d’Ivoire, such as cocoa beans (Ravallion, 2016). The chapter is divided into two: the first section addresses the development imperative and the second the anti-poverty imperative.

## Development Imperative

Why is economic diversification vital to Ghana and Côte d’Ivoire? According to Rodrik and McMillan, “one of the earliest and most central insights of the literature on economic development is that development entails structural change. The countries that manage to pull themselves out of poverty and get richer are those that are able to diversify away from agriculture and other traditional products” (2011, 1). Historically, production sectors economic activities can be categorised as either agriculture (the unproductive sector) or manufacturing (the productive sector) (Reinert, 2007; Ocampo and Khan, 2007). Economic transformation is the movement or reallocation of production factors away from agriculture to manufacturing. This rough picture corresponds with Friedrich List’s national system of political economy, heterodox economics and even the new-trade theory. However, it is not agriculture and manufacturing per se that constitute the theoretical foci, but multiple complex and interacting processes and features that are associated with both activities.

Manufacturing is characterised by a high entry barrier, increasing returns to scale and imperfect competition. As a result, manufacturing sectors enjoy technological rent, which reduces costs and price making. Advances in trade theory, for example, highlight the importance of distinguishing between export products as carriers of (increasing returns) and barriers to (diminishing returns) growth and development (Dunn, 2015, 86; Reinert, 2009, 13; Krugman, 2008). According to new-trade theory, countries trade due to increasing returns, and trade benefits are derived not from comparative advantages or complementarity but from activities with increasing returns (Krugman, 2008, 340). The concept of increasing returns better explains international trade, because producers are always inclined to search for markets to reduce factor costs (Krugman, 2009, 2). Increasing-returns activities involve manufacturing and production in conditions of imperfect competition, with no fixed production factor.

Conversely, agriculture is characterised by a low entry barrier, diminishing returns to scale and perfect competition (Whitefield et al., 2015, 39; Reinert, 2007). Heterodox economists such as Erik S. Reinert and Ha-Joon Chang have argued that economic transformation moves the economy away from an asset-based system running on unskilled labour towards a knowledge-based system running on skilled labor. Again, however, there is a manufacturing bias in this submission: the emphasis on technological and knowledge bases requires a separation of agriculture from manufacturing, because the two sectors respond differently to technological changes. According to Erik Reinert, technological innovation in agriculture or products with perfect competition is more likely to reduce prices for consumers than to increase benefits for producers (Reinert, 2005, xii). In contrast, price making in imperfect competitive activities increases the likelihood of producers’ gaining from technological advancement.

Furthermore, agricultural activities eventually reach a point of diminishing returns, after which it becomes difficult to improve productivity and input increases relative to output. Speaking of the theoretical contributions of new-trade theory (which basically delineates sectors), Krugman argued that “[i]t’s possible to conjure up examples in which countries are worse off with trade than without, in a way that isn’t possible in pure comparative advantage models.” He concluded that “the clear presumption is that trade is a good thing under increasing returns” (Krugman, 2008, 340; italics mine). Nations that trade products with diminishing returns in the international market will reach the point of intensive production due to the exhaustion of the vital resource(s) needed to cultivate the product in question. Exchanging products produced using intensive methods (an increase in labour or other input), which do not reflect price changes, amounts to a loss from trade.

Earlier development economists such as Arthur Lewis, who arguably created the sub-discipline of development economics in his influential article “Economic Development with Unlimited Supplies of Labour” (Lewis, 1954), followed this separation of sectors in his development model. In the “Lewis model,” also known as the “dual-sector model,” development and structural change are explained in terms of a labour transition between two sectors – capitalist and subsistence. Development occurs when labour (and other production factors) is reallocated away from the subsistence sector to the capitalist sector. Outside the mathematized region of neoclassical economics, there is something of a silent consensus that economic development involves the cultivation of certain sectors or the reallocation of factors to industry and manufacturing.

Although recent writers promoting structural transformation have tended to return to the development economics of the 1960s, just as heterodox economists return to Friedrich List’s 19th-century theories, the global economic system on which some of the earlier arguments were based has changed dramatically. This altered economic and political context requires a new understanding of the separation between sectors. For example, the rise of the service industry has led some countries to bypass manufacturing and move directly to service provision. Another change has been the increase in the geographical fragmentation of production activities in a single product line. This is best expressed with reference to the theory of the global value chain (GVC). The increasing global fragmentation of production activities has given rise to “incomplete firms”; that is, firms that take part in only one stage or a few stages of a production process. The rise of the GVC has led some academics to claim that industrial policy (or complete industrial policies) is irrelevant (Gereffi, 2013, 238; Gereffi and Sturgeon, 2013, 330; Tijaja and Faisal, 2004) as discussed below.

Under GVC, industrial policies that are intended to create an entire industry (production chain) within a national territory are now seen as irrelevant (Gereffi, 2014). Domestic industries in developing countries are understood to be deeply intertwined through complex, overlapping business networks, and today’s industrial policies to be GVC-oriented, as nations seek to improve their position or niche within a production chain. However, this argument may be too hasty, and certainly cannot be applied to all geographical locations. It is impossible to study the GVC without reference to context, and most GVC scholars are from the West. Explications of the GVC are very Europe-/U.S.-centric. For example, if cost-saving is the main reason for the fragmentation of production processes, it can be argued that fragmentation is essentially a Western phenomenon, due to the large wage differences between developed and developing countries. There is no need for a Nigerian textile firm, for example, to fragmentize to the Western world, where production costs are higher. Indeed, whereas numerous Western firms distribute some of their production processes to the East, firms from the East rarely fragmentize their production processes to the West.

To return to the issue at stake, West African economic specialisation are mainly in agriculture and asset-based economic activities running on unskilled labour with few connections to the economy at large. In Côte d’Ivoire and Ghana, cocoa is the main product made and exported. The production of cocoa requires no skill and has very little connection with the real economy (because there is no demand for cocoa or chocolate in West Africa); it is thus a perfectly competitive product with diminishing returns, due to its link to forestland. Illiterate peasants in rural areas are the main cultivators of the product, and according to all formulations of development it is essential for Côte d’Ivoire and Ghana to diversify away from cocoa into industry. However, there are other reasons to diversify away from cocoa and all such agricultural products, namely their susceptibility to diminishing returns and the decreasing profit they yield.

## Anti-poverty Imperative

The colonial economic system broadly led to the installation of a peasant agricultural production system in West African countries, slotted into a system of division of labour with European industries. The economic systems of both the French and the British former colonies, such as Côte d’Ivoire and Ghana, were based on peasant agriculture. The minor industries that existed in the region before the colonial experiment were either systematically destroyed or thwarted through the reallocation of labour to the peasant agricultural system. In *The Peasant Cotton Revolution in West Africa*, Thomas J. Bassett described the decline of the textile/weaving industries operating in French West Africa due to the colonial experiment. The weaving industry came into conflict with the colonial mandate of raw-material production by providing textile raw materials competing with those to be shipped to France (Bassett, 2001, 27-85). The colonial administration thus presented a program to destroy the weaving industry and convert weavers into cotton farmers. “If we are seeking to develop cotton,” wrote the head of the colonial Agriculture Service in 1915, “it is with a view towards provisioning an export trade with a primary material while facilitating the import of European cloth.” As a result, he continued, “the native must be disposed from the outset to deliver his cotton to commercial houses so that the gradual suppression of local weavers will result” (quoted in Bassett, 2001, 63; italics mine).

Clearly, therefore, the colonial system favored specialisation in the crudest form of economic activities, which required land as a production factor. Domestic political systems at the time of independence were grounded in these economic activities, controlled by the government through a marketing board used to tax peasants. These crude agricultural activities were problematic not only due to their negative link with development and structural change. Even more importantly, agricultural production has a structural ceiling, as land is a factor. Even when a nation has no development or diversification plan, diversification naturally occurs to prevent poverty due to the relationship between factors and output. The reduction of land fertility due to constant production, for example, is likely to decrease output relative to input. Increasing input cannot be adjusted for in price changes because agriculture (unlike manufacturing) is a price-taking activity. This can be explicated with the concept of diminishing returns.

The concept of diminishing output, properly understood as diminishing returns to scale, has been used to explain poverty throughout history (Reinert, 1996, 2). Thomas Malthus proposed the “Malthusian trap,” whereby an increasing population presses against the fixed production factor of land (in the absence of land-augmenting technology), causing a continuous decrease in per-capita farming output (Mosk, 2011, 37). J. S. Mill argued that the question of diminishing returns “is more important and fundamental than any other,” on the grounds that “it involves the whole subject of the causes of poverty” (Mill, 1848, 176). Usually, the problem of diminishing returns can be solved at the micro level. Individual farmers who encounter a loss of soil fertility naturally either migrate to more fertile land or diversify (Reinert, 1996, 2). However, the colonial peasant system was centralised which gives control of the sector to ruling elites.

The centralisation of peasant production/marketing systems in West Africa allows ruling elites to influence peasants’ decisions in the event of diminishing returns. Under the post-1945 colonial system, taxes were obtained through a centralised marketing board, and micro-diversification was considered a threat to government revenue. In the event of diminishing returns, the centralisation of a peasant production system shifts the responsibility for diversification from individual farmers to ruling elites. However, ruling elites are influenced by additional factors such as the need to preserve their power, and are somewhat distanced from the direct effect of diminishing returns. They are also influenced by the trade advantages and price support offered to cocoa export sectors by the EU. Ruling elites are thus likely to manipulate kinship associations to force peasants to continue producing a main export crop, even in the event of diminishing returns and intensification.

Cocoa was the main colonial product promoted in both Ghana and Côte d’Ivoire by the British and the French, and thus offers a useful case study in chapter six. The production of cocoa is structurally determined by the availability of forestland, as forestland is a production factor in cocoa production (Ruf, 1996, 1; Clay, 2003, 129; Babin, 2004, 269; Robertson, 1987, 59). This means that once forest has been massively cleared – that is, the structural production limit has been reached – production becomes difficult and continuation can only occur intensively hence diminishing returns and increased poverty (Clay, 2003, 129).

Critics of the concept of diminishing returns in peasant agricultural systems stress the advent of changes (providing increased resilience) in the social relations of production and production techniques to accommodate the effects of resource exhaustion. This school of thought is based on the work of Ester Boserup, especially her landmark publication *The Conditions of Agricultural Growth: The Economics of Agrarian Change Under Population Pressure* (1964). Boserup argues that peasant agriculture never reaches its carrying capacity, as every time it comes close to doing so—that is, every time soil-fertility loss approaches a structural limit (which Boserup defines in terms of a population increase relative to a fixed land resource)—an invention or development causes output to increase. In her theoretical language, therefore, diminishing returns are the main driver of innovation and change in social relations. Such innovation and change prevents the devastating effect of diminishing return. Boserup explains the endogenous origin of innovation or change in the social relations accompanying diminishing returns. Her thesis is substantiated in a historical account entitled *Population and Technological Change: A Study of Long-Term Trends*,published in 1983*.*

Accordingly, Boserup is correctly regarded as discrediting the gloomy picture of the “Malthusian trap”. Her analysis has profoundly influenced social-science research, such that theories of static diminishing returns propounded here are often dismissed with reference to changing social relations (in the form of process innovation, for example) (Turchin and Nefedov, 2009, 6-7). The main types of innovation/social change discussed by Boserup are social, political and economic. In a complete analysis, property rights, work ethics, the division of labor, diversification, diet, transport infrastructure, etc. can all be altered to prevent diminishing returns (Roumasset, 2007, 7). However, in her original 1964 publication, she uses the concept of agricultural intensification to explain the continuation of food supply after diminishing returns (Boserup, 1964, Chapter 4). Intensification can take different forms: multi-cropping, multi-season harvesting, etc. Boserup argues that regardless of the form it takes, agricultural intensification requires farmers to work for longer hours to produce the same output due to a reduction in soil fertility. Therefore, workload tends to rise while efficiency drops; however, output does not necessarily decrease, due to the increased workload. Boserup thus defines agricultural intensification as the practice of increasing production at the cost of longer working hours, greater factor input and lower efficiency. This practice, a form of innovation in itself, is at the core of her theory.

But here, too, lies the problem with Boserup’s thesis. She is invested in showing that agricultural intensification can prevent a shortage in food supply (unlike Malthus, who theorises that mass hunger arises from a reduction in the static factor of land), but rural agriculture is not always structured for domestic food consumption. Some rural agricultural systems have zero domestic use value. In such cases, agricultural intensification in terms of increased labour input must be measured against output prices rather than food supply.

In the context of cocoa cultivation, which is the focus here (see Chapter Six), the cocoa beans produced in Ghana and Côte d’Ivoire are not part of the local diet. This output instead constitutes a raw material for the production of chocolate, a typically sweet, brown snack bought predominantly by Western middle-class consumers. Meanwhile, as we shall see in Chapter Six, forestland is a production factor in cocoa cultivation, which means that the point of diminishing returns is reached when forestland is exhausted (Ruf, 1996, 1). In the words of the owner of a smallholder organisation, “you have one hectare of cocoa after grassland and two hectares after forest” (quoted in Ruf and Lançon, 2004, 195). When diminishing returns are approached in the cocoa sector, which in this case occurs less frequently through population increase than through the exhaustion of forestland in a given region, intensive cultivation in the Boserupian sense of the term has to be measured not in terms of the continuous supply of a food crop but relative to the price of cocoa output. Agricultural intensification in the Boserupian sense has occurred in the cocoa sectors of both Ghana and Côte d’Ivoire (but not in Nigeria). This is due to the centralised nature of the sector (which gives ruling elites an advantage to direct the level of cocoa cultivation) and EU trade advantages (which creates an incentive to promote continued cocoa production), and has led, as shown in Chapter Six, to mass poverty (due to increasing factor costs).

Intensive production inevitably leads to poverty, due to increased input and decreased output (Whitefield et al., 2015, 39). Although Boserup’s core assumption that diminishing returns lead to intensification is robust, the mere fact that some cash crops have no domestic use value qualifies her optimism. In the case of cocoa, intensification is structured to fulfill the demand for raw materials from the Western world, not (as suggested by Boserup) to meet the need for food in the developing world. The most appropriate theory to understand intensification in cash crops is in fact Clifford Greetz’s thesis on agricultural involution and shared poverty.

Greetz studied the responses of Javanese rice paddy farmers in Indonesia to diminishing returns and population increase. He coined the term “agricultural involution” to describe a situation in which an increase in population and diminishing production resources cause intensification rather than change or diversification. That is, more labour or more fertilisers are used to mitigate the effects of diminishing returns. This is similar to Boserup but Greetz was mainly discussing cash crop. The Javanese farmers according to him reacted to diminishing returns by increasing labour (and other factors) to prevent a decrease in output. The outcome was a general increase (or a mitigation of decrease) in output. However, involution may reduce quality, cause a continuous decrease in yield, and, most importantly, reduce per-capita output, thus decreasing the rate of remuneration. Boserup hold all the above assumption in her theory but the outcome was increase in food production, which was achieved.

Geertz coined the term “shared poverty” to describe the outcome of diminishing returns and increased input in cash crops. He wrote that “[u]nder the pressure of increasing numbers (population) and limited resources (diminishing returns), Javanese village society […divided] the economic pie into a steadily increasing number of minute pieces, a process to which I have referred elsewhere as ‘shared poverty’” (Geertz, 1963: 97). Shared poverty is the continuous decrease in remuneration and profit due to the extra labour (or other input) that has to be used to deflect the effect of diminishing resources. This theory accurately describes a system in which output remains unchanged after the crucial production factor has been exhausted. In the context of classic diminishing returns, output is expected to reduce after the exhaustion of the static production factor. Geertz’s theory concerns the use of more labour to prevent the reduction of output. If extra labour is required to attain the previous output of a piece of land (due to diminishing returns), profits are reduced by the additional labour costs incurred. As agricultural producers have no control over prices, the extra cost cannot be balanced by an increase in prices. An increase in cost without a corresponding increase in price will decrease profit and remuneration; thence shared poverty.

Again, a change to food crop will alter Geertz’s formulation back to Boserupian because if survival or supply of food is the goal then the extra factor cost is hardly calculated as long as food demand are meant. The theory of agricultural involution must be adapted for certain applications. For example, although a population increase in the face of diminishing returns intensified labour in Javanese rice production, different labour outcomes or arrangements may occur in other contexts. Salaried employees may be replaced by slave labour or other non-conventional forms of labour (family labor, for example). In the cocoa sector, the theory of agricultural involution offers insights into a production system in which output remains unchanged after forestland has been exhausted. In a classic diminishing-returns scenario, output decreases after the depletion of the static production factor. Geertz’s theory of involution, however, aids understanding of continued production in a system in which the point of diminishing returns has been reached. It is thus helpful to examine the conditions of production in terms of increased input or input-output ratio.

There is abundant evidence to suggest that the West African cocoa industry has reached the point of diminishing returns, and that the increasing poverty of cocoa planters and the advent of practices such as child slavery are some outcomes of continued production (Odijie, 2015). One scholar estimated that the entire labour investment in first replanting in Côte d’Ivoire amounts to 260 days per hectare, compared with 74 days per hectare in forestland (Ruf and Schroth, 2004, 112). This extra cost of replanting cannot be mitigated by a price increase; as a result, production costs increase and profit decreases. A case study of cocoa makes up part of Chapter Six.

## Conclusion

This chapter has justified the purpose of the thesis, which demonstrates the role of the EU’s trade system with West Africa countries in preventing diversification and economic change in the region. The counterfactual argument is that the region would be much more diversified without the EU trade system. Two key imperatives for diversification are identified. First, it is necessary to diversify into industry for the purpose of structural transformation from a low equilibrium to a high equilibrium following a movement from agriculture to industry. Furthermore, there is a need to diversify away from colonial economic specialisation due to the structural ceiling limiting production systems installed during the colonial era. In this setting, an international-trade system such as the EU’s trade system with West African countries, which prevents diversification and protects a static production system, may obstruct the natural process of diversification that would otherwise occur after the depletion of vital production resources. To the extent that the continued production amounts to mass poverty, this can be read as an epiphenomenon of the EU trade system.

Diversification could disrupt the division of labour created in the colonial system, just as the diversification away from cocoa could lead to a global shortage in the raw material needed for chocolate production. Indeed, chocolate multinationals have recently lobbied the governments of Côte d’Ivoire and Ghana in a bid to prevent a shortage in the supply of cocoa, but continuing production after forestland makes very little economic sense for West African countries. The desire to retain African countries in the annexes of the European economic system, to ensure their continued supply of raw materials, was to a certain extent the rationale for the creation of the EU trade system, as shown in the next chapter. Although this thesis is not fixated on a neo-colonial framework to study the EU trade system, it is a historical fact that the EU trade and development system was created to preserve the position of West African countries in the colonial economic system. This is the outcome of the trade system, although studied here as a function of the interaction between the trade system and local political strategies for survival.

Before addressing the main issues under study, the subsequent chapter investigates the historical background of the EU trade system (up to the point of its creation). It shows that the trade system was conceived and constructed as a perfect replacement for the colonial economic system, in both language and practice.

# Chapter 4. Historical Background of West Africa- EU Trade System

## Introduction

This chapter provides a historical background to the trade system between the EU and West Africa. It shows that the EEC trade system is a perfect reproduction of the colonial relationship on the discursive level. It shows that the trade system that emerged during decolonisation did not begin from an empty slate; instead, it was a palimpsest of the colonial trade system, purposely designed in the European language of integration as a program for maintaining European economic influence on the African continent.

The chapter is organised around the following three themes.

* The European language/justification of intervention
* The European context of intervention
* The outcomes of intervention

In terms of European language of intervention, the development theory of history, according to which progress—cultural and later economic—takes place in hierarchically ordered stages, provided the language used to justify European intervention. The original rationale for colonial rule was the civilising mission, which grouped non-Europeans into the category of the deviant “other” to be corrected through colonisation. This mission was codified in the 1884-5 Berlin Conference. Before the EEC joined the discourse, the “other” had already been transformed from “cultural other” (uncivilised/savage) to “economic other” (poor/undeveloped) in Britain and France. Frederick Cooper argued that “[t]he ideological context in which Great Britain and France turned to development—the need to find a progressive basis for continued colonial rule in an era when major powers had made ‘self-determination’ a slogan of international politics—coincided with the heightened needs both had for their empires” (Cooper 1997: 70). The EEC’s adoption of a self-imposed duty or mandate to develop the colonies was thus a perfect continuation of the colonial system; or simply a continuation of the “white man’s burden” in new form.

In terms of the context of intervention, the conference that inaugurated the colonial system—the Berlin Conference—was originally held to repair the relationships between European countries injured by increased demand for African territories (Saito, 2010: 164; Louis, 2006: 77), and in practice had nothing to do with a civilising mission. This context was replicated by the EEC in a post-war setting as this chapter will show that African colonies were originally included in the European integration project to reorganise Europe after the war, not to develop the African continent. For example, the first post-war project of European integration was proposed by Ernest Bevin, who argued that “it would be necessary to mobilise the resources of Africa in support of a Western European Union; and if some such union could be created, including not only the countries of Western Europe but also their Colonial possessions in Africa [...] this would form a bloc which, both in population and productive capacity, could stand on an equality with the western hemisphere and the Soviet blocs” (quoted in Deighton 2006: 842). The context for intervention was thus shaped by Europe’s declining influence in global politics.

In this chapter, the outcomes of intervention are assessed only in the colonial era; the outcomes of the EEC’s trade systems are addressed in the rest of the thesis. The chapter shows that the primary outcome of intervention was to determine the specialisation of West African countries. The rest of the chapter is structured chronologically, in two parts.

In the first part of the chapter (the pattern), the development theory of history is presented as an abstraction from which the civilising mission and the development mission were derived. The use of Africa in the Berlin Conference to organise peace in Europe is explored separately from the language of justification. The outcome is shown to be the determination of specialisation.

The second part (the replication) of the chapter begins by addressing the conscious shift in the vocabulary of the development theory of history. The concept of a development mission replaced that of a civilising mission at the beginning of the Second World War. This shift was deliberate on the part of Britain and France, to prevent echoes of the “civilising” goals of Germany’s National Socialism. The new philosophy of colonialism was development. To restore Europe’s waning influence in the post-war setting, negotiations were held on European integration and the inclusion of the colonies. This was the context of the Rome Treaty and the EEC’s self-imposed mission to develop the ex-colonies.

The chronological structure of the chapter enables diachronic investigation of the language of justification from the Berlin Conference to the Rome Treaty.

## Part 1 The Pattern

### Development Theory of History: Culture

Derogatory characterisations of out-group members by in-group members have taken place for at least as long as recorded history. Most ancient religious and philosophical texts provide justifications for the conquest and subjugation of out-group members. Aristotle (Politics book 1), for example, supported the enslavement of out-group members, as does the Bible (Kings James Version: Deuteronomy 20, Numbers 31:18). However, during the eighteenth century, liberal European philosophers such as Immanuel Kant codified the universal principles of humanity, mutual respect, dignity and freedom. Some of these ideas were co-opted in the movement against the unfair treatment of out-group members. However, many influential philosophers writing in Europe in the eighteenth and nineteenth centuries assimilated into their writing the development approach to history associated with the Scottish Enlightenment (Kohn, 2012). In essence, this theory of history states that all societies naturally move through the same stages of development. In economic terms, societies move from hunting to herding, herding to farming, and farming to commerce. Culturally, societies move naturally from “savagery” to “barbarism” and ultimately to “civilisation” (Kohn and O’Neill, 2006).

The development theory of history modifies liberal universalism by introducing the idea that universal principles of equality and respect emerge only at a certain stage of the development process. This produces a hierarchical ordering of the stages of “progress” of races and cultures from savagery to modernity, excluding non-Europeans from universal philosophical formulations of freedom and equality. This dissonance between principles of moral universalism and hierarchy temporarily suspended the right to equality of cultures at the lower end of the hierarchy. Meanwhile, the presentation of civilisation as the culmination of a process of historical development proved useful to those seeking to justify imperialism. Indeed, Uday Mehta (1999) has argued that liberal imperialism was the outcome of the interaction between universalism and developmental history.

In a proviso added to the introduction to *On Liberty*, John S. Mill denied the tenets of liberty to societies in which “race itself can be considered to be in its nonage” (Mill, 1863: 24). Mill argued that “[d]espotism is a legitimate mode of government in dealing with barbarians, provided the end be their improvement and the means justified by actually effecting that end” (*ibid*.). Mill’s justification of colonialism was characteristic of contemporary progressive liberal thought. Although Kant did not justify colonialism as explicitly as Mill, and was arguably an anti-imperialist he categorised moral philosophy as either “pure” or “impure.” Pure ethics, he argued, comprises general principles, whereas the impure is empirical and takes into account the people to which it is applied, whether “the cultivated or the crude” (quoted in McCarthy, 2011: 46). The civilising mission arose as a humanitarian assignment to rid non-Europeans of their racial and cultural backwardness; that is, to prepare them for humanity.

European interventions in Africa had occurred before the advent of the development theory of history, and some continued on the same lines after the invention of the Enlightenment justification for intervention. However, the development theory of history created a new mode of intervention in which a discourse of deviancy was produced ahead of intervention. For example, King Leopold of Belgium framed his desire for an African colony in terms of ending Arab slavery in the Congo and introducing Christianity. The development theory of history came to occupy such a central position in Western philosophical tradition that it could not be dislodged even when its contradictions became clear. For example, when the gap between the language and practice of the new imperialism became evident (in the beginning of the 1900s in the case of Congo for example) revealing that the civilisation mission was nothing more than an excuse for plunder, some liberals took an anti-imperial stance. Crucially, however, they questioned only the method of the colonial mission (exploitation), not its paternalistic/humanitarian goals. They argued for a more benign—but still paternalistic—colonial administrative system to humanise “the other,” not to eradicate the very idea of “the other.” For example, J. A. Hobson argued for a “genuine international council […], which shall accredit a civilising nation with the duty of educating a lower race,” and went on to condemn the existing system as “nothing else than an impudent act of self-assertion” (1902: 239).

Not only “anti-imperialist” liberal intellectuals but humanitarians campaigning against new imperialist practices refused to discard the language of justification; the deviancy of the other remained prevalent in “anti-imperial” discourse. The Congo scandal provides a useful example. As the philanthropic king of Belgium was greatly troubled by Arab slavery in the Congo, he applied for a colony and was assigned some two million square kilometres in today’s Congo by the European powers in the Berlin Conference. The king transformed the ancient Kongo civilisation into a vast slavery camp for the production of raw materials needed in Europe, notably ivory and rubber (Hochschild, 2011; Neier, 2012: 45). The brutality of the regime was conveyed in the diaries and letters of European missionaries in Congo, leading to a humanitarian campaign, led by a Liverpool shipping clerk. However, E. D. Morel and others, many of them humanitarians, who advocated against King Leopold’s rule (such as Mark Twain and Roger Casement) did not suggest that Congo be liberated from the European mission to civilising; instead, they saw a contradiction between the noble, humanitarian civilising mission and its barbaric outcomes in Congo.

The central point here is the general and unconscious acceptance of the development theory of history and the backwardness of non-European cultures. The theory of linear historical development is at the core of European intellectual tradition, and was accepted by all Enlightenment philosophers. The development approach to history was co-opted in support of theorists’ later attempts to fast track the economic development of the continent. As in the case of the civilising mission, those opposed to the outcomes of economic development in the continent (which they regarded as exploitation) still somehow accepted the assumption that the continent was impoverished and needed European help.

Historically, however, as the next section will show, European interventions in West Africa were prompted not by the desire to civilising or, later, develop, but by events in Europe. These events led to the division of Africa, the Berlin Conference and the internationalisation of colonialism. Events in Europe led to a change in the form and language of intervention to emphasise economic backwardness over cultural backwardness. Events in Europe led to the creation of the EEC and the absorption of the colonies into this union. At all times, the language of civilisation and subsequently development was little short of an instrument for colonisation, despite intentions to civilising or develop.

### *Civilising Mission: Africa’s Role in Organising European Peace in 1884*

The age of the new imperialism began in 1870, and was marked by an increase in demand for African territories from European powers. This led to rivalry and nearly war in Europe. Colonial rivalry between European nations, according to William Roger Louis, was one of the central themes of international relations in the 1880s (Louis, 2006: 77). Conflicting claims to territories almost led to a breakdown of European relations. It was thus necessary for the European countries to hold a conference to codify and formalise the process of acquiring colonies in the African continent. The result was the Berlin Conference.

Although the conference was held primarily to repair relations between European countries damaged by the increased demand for African territories, the language of African civilisation was predominant. It is essential to separate the motivation for the Berlin Conference from the language used within it. A couple of theories have been used to explain the sudden push for colonies. For example, several versions of Marxist structural theory posit that European capitalism had reached a new stage of development in which it needed colonies for capital exports, markets and/or raw materials (Hilferding, 1981: 318; Kautsky 1914; Lenin, 1973: 89).[[6]](#footnote-6) The colonial rivalry to which the conference was a response was predominantly between Britain and France; however, non-traditional colonial powers such as Germany, Italy and Belgium also began to compete for territories. For example, both France and Belgium claimed territory in central Africa (Appiah and Louis, 2010: 117), and both Portugal and Belgium sought to occupy the lower Congo (Ibid: 111).

The Berlin West Africa Conference, a series of negotiations at Berlin, formalised, legitimised and internationalised the process of colonial annexation in the African continent. Representatives of major European countries negotiated their governments’ claims to portions of the continent, and agreed on a framework for negotiating future European claims. Any nation wishing to establish a claim to an African territory was required to inform other European powers to avoid competing claims, and any such claim had to be accompanied by effective occupation, including the stationing of colonial administrators. Although the conference sparked new interest in obtaining territory in Africa, it did not initiate colonialism; instead, it simply brought it under international law (Saito, 2010: 164).

African input was excluded from both the conference and the framework for future negotiations. A direct provision established during the conference created the Congo Free State under the control of the humanitarian King Leopold II of Belgium. After the conference, Germany established African colonies in today’s Namibia, Togoland, Cameroon and Tanzania (Hodge, 2008: 83). The French established French West Africa and Britain consolidated its African assets. This phenomenon of European collective agreement on the future of Africa without the latter’s input or consent reappeared in the post-war era, at the point of decolonisation, in the Rome Treaty. Both collective agreements invoked the development theory of history.

The language of civilisation adopted in the Berlin Conference was evidently neither the cause of the conference nor the reason for Europe’s expansion into Africa. The duty of the colonisers, as defined in the General Act of the Berlin Conference, was to promote the general welfare of native Africans through a civilising mission of commerce and Christianity. But was this duty the reason for the conference? The practices and outcomes of colonialism were more consistent with the actual motivation for African expansion than with the language of intervention. The main outcome of the intervention was to determine the economic specialisation of West Africa according to the imperial needs of the European continent.

### *Role of Colonialism in Determining Specialisation*

Early theoretical critiques of imperialism were Eurocentric in that they focused on the causes and outcomes for a European “core” and omitted the economic effects on the colonised societies. John Hobson is to blame for this. As a trailblazer in anti-imperial thinking, he established the parameters for subsequent writers. Hobson argued that the economic root of imperialism was the search for a channel for surplus financial resources (Hobson, 1983: 106), but paid insufficient attention to its consequences for the targeted societies. Subsequently, Rudolf Hilferding, Rosa Luxemburg, Nikolai Bukharin and Vladimir Lenin all used Hobsonian language to explain imperialism. Karl Kautsky (1914) was the first of the classical Marxist thinkers on this issue to create a space for theorising about the outcomes of imperialism from the perspective of colonised societies.

In Kautsky’s formulation, imperialism was the annexation or subjugation of zones of agricultural production into the spheres of influence of advanced capitalist nation-states to provide agriculture or raw materials to Europe (Kautsky, 1914: 8). Imperialism, for Kautsky, was also the policy of violence deployed by European industrialised countries to secure sources of raw materials and agricultural products that were unavailable at home. The creation of markets and capital exports were subordinate to this main goal. The colonies, therefore, could not be allowed to industrialise either through design or gradual evolution; they were required to cultivate export crops needed by their colonisers even when there was no domestic demand for these products.

Kautsky argued that before 1870, during the era of free-trade capitalism, Britain had access to agricultural products and raw materials from other Western countries, but the increased protection due to industrial competition in the West gave rise to a new form of imperialism after 1870 (Kautsky, 1914: 3). Competition for agrarian products in 1880 increased at a time when Britain was losing its industrial supremacy and other European countries—those involved in the search for colonies—were beginning to industrialise. Essentially, the post-1870 imperialism was a result of increasing industrialisation in Europe. According to Kautsky, imperialism determined the specialisation of the colonies; it ensured that the agrarian countries remained at the level of providers of agricultural products and raw materials (Kautsky, 1914: 4). The capital exported to the colonies was directed toward restructuring their economic systems to increase production of the raw materials needed in Europe (*ibid*.).

Even more importantly, Kautsky argued that individual European colonial powers were willing to give up their colonies for common use by a confederation of states or imperial union either to avoid conflict or to enhance the benefits provided by the colonial region (Meldolesi, 1984: 1838). Kautsky provided extremely persuasive explanations of the collective use of the Africa colonies, which featured in the negotiations on European unity (Hansen and Jonsson, 2011), and the role of the colonial system in determining colonies’ economic specialisation. In the immediate aftermath of the First World War, Kautsky’s thesis was nearly redundant. However, his theories gained a renewed importance when third-world and colony-centric discourses emerged in the 1950s.

Put simply: the new imperialism determined the specialisation pattern of African countries according to the raw-material needs of their colonisers. International-trade theory, which explains international trade in terms of a surplus in the domestic market, cannot explain imperial trade, due to the structural disarticulation of most colonial production systems. The civilising mission in Congo Free State is just one example. Although there was no demand for rubber in the Congo, the colony was required to specialise in rubber production. The result was the forced movement of labour away from traditional food and commercial production into rubber production. The situation in West Africa was not dissimilar. In its Ivorian colony, France resorted to enforced labour and compulsory cultivation to secure a specialisation in products needed in France (Cooper, 1996: 189; Bassett, 1988: 2001). The activities of France in northern Côte d’Ivoire provide a functional example.

Before the French annexed Côte d’Ivoire, cotton was cultivated by the northern Senufo tribe and exchanged for salt and kola nuts with the Jula tribe in the south (Bassett, 2001: 5). The women of the Jula tribe spun the raw cotton into thread, and their husbands wove the thread into cloth (*ibid*.). The finished cloth was sold to neighbouring tribes, including the northern Senufo tribe, the original suppliers of the cotton. This existing cotton-production system led the French colonial system to designate northern Côte d’Ivoire as a site of cotton production and supply. However, members of the newly developed Colonial Cotton Association, a coalition of governmental and French industrial agents (Roberts, 1996: 318), observed that Africa’s cotton variety—which had been cultivated long before the arrival of the French—was unsuitable for French industries. Therefore, the colonial system banned the cultivation of the local cotton variety and selected a new variety for imposed cultivation. As the railway extended from the forest into the savannah, the colonial governor Gabriel Angoulvant made cotton cultivation compulsory in all villages within a certain distance of the track (Bassett, 1988: 271).

Although the new type of cotton had been selected to meet the needs of France’s textile industries, ingenious Jula weavers found the new variety usable. Local weavers offered higher prices than European merchant houses (Bassett, 2001: 52). Baule tribesmen from southeast Côte d’Ivoire also started to weave, as the new variety proved easy to use. This created a problem for the colonial system. “If we are seeking to develop cotton,” wrote the head of the Agriculture Service in 1915, “it is with a view towards provisioning an export trade with a primary material while facilitating the import of European cloth.” As a result, he continued, “the native must be disposed from the outset to deliver his cotton to commercial houses so that the *gradual suppression of local weavers will result*” (quoted in Bassett, 2001: 63; italics mine). What followed was a ban on the sale of raw cotton to local weavers, ultimately leading to the demise of Côte d’Ivoire’s weaving industry (see Bassett, 2001: 27-85). The entirety of French-controlled West Africa was structured to supply France with raw materials to support its industries, confirming Kautsky’s thesis. West African countries were forced or encouraged to abandon long-established modes and systems of production, and to develop crops needed by the colonial power. From the perspective of the colonies, the main outcome of colonialism was a fixed pattern of specialisation in West Africa.

To conclude: the reconfiguration of Africa in the era of the new imperialism or the ‘scramble for Africa’ (1870 onward) was a response to changes in Europe’s political/economic system. Although this reconfiguration was accompanied by a language of humanitarianism (inflected toward “civilisation”), the economic outcome was to forcibly direct West Africa’s specialisation toward raw materials needed in Europe. This pattern re-emerged in the post-war years. A new “partitioning” of Africa following changes in the political/economic atmosphere of post-war Europe was instituted with the same language of humanitarianism (this time inflected toward “development”), and the outcome was a fixed pattern of specialisation in West Africa. Thus for all the talk of a benign ‘civilising mission’ the reality was that Africa was carved out and re-organised ultimately to meet the needs of capitalism in the European core. The second part of the chapter addresses the inflection in the development theory of history from cultural to economic progress.

## Part 2. The Replication

### *Development Theory of History: Economic Development*

Why did the colonial system cease to use civilisation as the justification for colonial rule? The short answer is that racist implications underpinned the civilising mission, and Hitler had given racism “a bad name” (Easterly, 2013: 81; Six, 2009: 1105). Clemens Six explained the change as follows: ‘the experience with National Socialism and its race-based ideology discredited colonial racism” (Six, 2009: 1105). Furthermore, the civilising mission directly conflicted with the war effort made by the European colonisers in 1939.

In the British colonial office, the decision to drop the civilising mission can be traced to a particular meeting dedicated to creating a new philosophy of colonial rule. On October 6, 1939, only a month after Germany invaded Poland, the Secretary of State for the Colonies, Malcolm MacDonald, called a special meeting on “Future Policy in Africa” (Easterly, 2013: 81). The meeting marked the end of “civilisation” as the philosophical basis for colonial intervention. Lord Hailey, a veteran colonial official and one of the attendees of the October 6 meeting, subsequently made an address to the Royal Empire Society entitled “A New Philosophy of Colonial Rule” (Easterly, 2013: 89). This new philosophy created a new emphasis for the British colonial mission: development. According to Lord Hailey, the Colonial Office would no longer concern itself with “civilising” the colonies. Instead, the colonial state would concentrate its attention on improving standards of living and extending the provision of social services in the colonies.

Accordingly, stated Lord Hailey, “we should within reason give some measure of assistance to territories” (quoted by Easterly, 2013: 89). In addition to the new emphasis on development, the racist language associated with the civilising mission was sublimated. For example, the Colonial Office banned racist comments among its colonial officials and instructed the British Broadcasting Corporation (BBC) to clean up its language (Easterly 2013, 85). When the word “nigger” was used in a 1940 BBC broadcast, George Ernest London, then the Colonial Secretary for the Gold Coast, ordered the BBC to apologise to Britain’s colonial subjects in today’s Ghana. The BBC was also required to minimise its use of terms such as “natives” to fit the new narrative.

Anti-colonial writers such as the Nobel Prize winner Ralph Bunche,[[7]](#footnote-7) W. E. B. Du Bois,[[8]](#footnote-8) George Padmore and Jomo Kenyatta had already begun to associate the colonial system with Nazism through the very language of the civilising mission (Vitalis 2005:chapter 5). According to Easterly, many British officials feared that this language would injure the allegiance of colonial subjects on which the country’s survival would probably depend. “The British were going to need troops and raw materials from the empire to fight the war” (Easterly, 2013, 81), and it would be difficult to guarantee allegiance from subjects of an empire founded on the principle of racial hierarchy, specifically white superiority (*ibid*.). As Easterly argued, therefore, it was necessary for Britain to deflate this racial discourse and promote a sense of solidarity in the empire to guarantee support from its colonial subjects.

In addition, the Second World War was a war of propaganda. In a study of British colonial war propaganda, Bonny Ibhawoh highlighted the use of a new rhetoric of development and racial connectedness by the British, in opposition to Germany’s racism and tyranny, to support the war effort (Ibhawoh, 2007: 227).[[9]](#footnote-9) This propaganda would not have been possible under the civilising regime. The new narrative led to the creation of an empire-wide state-controlled marketing board for commodities exported from the colonies; the colonial system offered peasants fixed prices for raw materials (Reid, 2014: 149). The West Africa Cocoa Control Board was established in September 1940 with the loaded promise to protect farmers from the effects of price fluctuation. Concern for the economic “development” of African colonies was foregrounded in the rhetoric of the colonial system, while claims of savagery and a lack of civilisation, which had formerly justified colonial intervention, receded (Reid, 2014: 149).

The end of the war led to a new set of problems for the empires, including anti-colonial nationalism and, relatedly, the fear of anti-colonial revolt led by the Soviet Union (Easterly, 2013: 97). The decline of traditional empires was a third problem (Kent, 1992). Although anti-colonial nationalists rejected the language of the civilising mission and constantly criticised the colonisers for their racist practices, they fully accepted the language of development (Biccum, 2002: 41). However, given the development theory of history, “civilising mission” versus “development mission” is a distinction without a difference, a simple inflection of language. Both discourses positioned Europe as advanced and Africa as primitive, and both treated European intervention as necessary to advance Africa to the stage of humanity and civilisation masquerading as modernity.

Remarkably, after the war, the liberal discourse of intervention, which was formerly centred on a civilising mission, was reorganised to emphasise poverty and development. Poverty became the new pathology or deviancy to be cured by Western intervention. According to Cheryl McEwan, development “became the key principle upon which the USA [sought] to build its own global empire” (McEwan, 2009: 90). America joined the new intervention discourse in 1949 in the name of development. The development mission undertaken in the traditional empires of Britain and France can and indeed must be differentiated from that adopted by America in 1949. Britain and France used development as a new justification for the continuation of the colonial system after the war, whereas America proposed development through multilateral interventions; via the International Bank for Reconstruction and Development and the International Money Fund (IMF), for example. Therefore, the discourse of development can be traced through its traditional imperialist phase from 1945 to the point of decolonisation (and beyond), and through “multilateral” development represented by today’s World Bank and IMF. The distinction is important; without it, some post-development scholars have dated the creation of a development discourse to 1949 (president Henry Truman’s inaugural address) when America joined the discourse (Ziai, 2007: 4) instead of when the traditional colonial empires (Britain and France) altered their language of justification from civilising mission to development mission.

To return to the post-war setting: Europe was devastated economically and politically in 1945, and the international system took a bipolar form controlled by Washington and Moscow. European integration took off in the post-1945 era. After the loss of India, as John Gallagher noted, there was a new enthusiasm for obtaining territory in Africa. Africa was expected to be a “surrogate for India, more docile, more malleable, more pious” (Gallagher, 1982: 146). This was the context of the post-war enthusiasm for European integration. It was necessary to revitalise Western Europe in response to the Russian-American polarity, and the common use of Africa was central to the program.

### Negotiating Imperial Partnerships: Africa’s role in reorganising a Peaceful Europe

After the Second World War, the British Foreign Secretary Ernest Bevin made the first proposal for European integration. This proposal, sometimes called the Third World Power, set out a plan for the integration of Western Europe into a common economic and political bloc, with the initial step of an Anglo-French union (Deighton, 2006: 207). According to Leffler and Westad, Bevin’s proposal reflected an “optimism about the potential of France to act as a European and imperial partner in the creation of a third world force that would balance both US and Soviet power” (Leffler and Westad, 2010: 120). The main aim of the project was to dilute the growing power and influence of the United States and the Soviet Union.

Closely connected to the proposed Anglo-French union was the gradual integration of other European countries and African colonies, specifically to secure the raw materials required for Europe’s revitalisation. However, the proposed inclusion of African colonies was expressed in the language of development. Bevin summarised the project to the British Cabinet as follows.

It would be necessary to mobilise the resources of Africa in support of a Western European Union; and if some such union could be created, including not only the countries of Western Europe but also their Colonial possessions in Africa [...] this would form a bloc which, both in population and productive capacity, could stand on an equality with the western hemisphere and the Soviet blocs. (Quoted in Deighton, 2006: 842.)

At the core of the plan was “the development of Africa—the last hope of the old imperial power—from which the U.S would eventually be left out’ (Deighton, 2006: 209). “As soon as we can afford to develop Africa,” wrote Bevin, “we can cut loose from U.S.” (*ibid.*). Bevin also argued for the union in the following terms: “if we push on to develop Africa, we could have U.S. dependent on us and eating out of our hand in four or five years […] U.S. is very barren of essential minerals and in Africa we have them all” (quoted in Kent, 1989: 66). The deployment of the language of development should be understood in the context of the change in the philosophy of colonialism from civilisation to development. Bevin described the monopolisation of the continent’s resources (collective colonialism) in the language of development. Bevin’s proposal was not the first of its kind, and certainly not the first to include the collective use of Africa colonies.

However, proposals for European integration in the inter-war period did not use the language of development in relation to the inclusion of African colonies. Instead, advocates of European integration in the 1920s and 1930s used the language of collective exploitation or collective civilisation. For example, when Count Richard Coudenhove-Kalergi of Austria established his pan-European movement in 1923, he declared that “the Africa problem thus brings us back to Europe. Africa cannot be made available if Europe does not unite” (quoted in Hansen and Jonsson, 2011: 10). He also argued in a 1929 article that “Africa could provide Europe with raw material for its industry, nutrition for its population, land for its overpopulation, labour for its unemployed and market for its products” (Coudenhove-Kalergi, 1929: 3). This formulation was centered on the use of the colonies to solve various problems in Europe. Article 13 of the draft of a pan-European pact in 1930 reads as follows: “All European citizens shall enjoy equal economic right in the tropical colonies of Africa” (quoted in Hansenn and Jonsson, 2014: 31).[[10]](#footnote-10) Despite their ideational continuity, pre- and post-war integration efforts can be distinguished by a shift of emphasis toward development as a rationale for the inclusion of Africa in the project. There was also a shift in motivation, because the pre-war integration plan arose mainly from European fear of the Japanese, the “Yellow Peril.”[[11]](#footnote-11)

To return to Bevin: according to John Kent, the British Foreign Office lost hope in the proposed Anglo-French union in 1949, after the formation of the North Atlantic Treaty Organisation (NATO). In other words, the British accepted the bipolar order and claimed a position below the United States. The French, however, were not content, and tried to renew their negotiations with British in 1950-1955 (Kent, 1992: 287). Whereas Britain lost confidence in the creation of a third-world power, France searched for other opportunities and partners outside Bevin’s proposed Anglo-French union. The collective use of the colonies was central to all proposals for combinations of/platforms for European integration in this period.

For example, in the draft of a Federal Pact document, the European Union of Federalists stated that “Europe as an entity will be viable only if the links which unite it with countries and dependent territories… are taken into account. The era of national ownership of colonial territories has passed ... From now onwards a common European policy of development for certain regions of Africa should be taken in hand” (quoted in Hansen and Jonsson , 2014: 111). The chairman of the Committee on Economic Questions in the Council of Europe, the former French Prime Minister Paul Reynaud, stated that “[w]e must also, if free Europe is to be made viable, jointly exploit the riches of the African continent and try to find those raw materials which we are getting from the dollar area, and for which we are unable to pay” (Council of Europe, 1953: 135). Aaccording to Reynaud, this would facilitate the transition of Western Europe into a “third economic group standing mid-way between the Communist and the dollar areas” (*ibid*.).

The British representative in the Council of Europe, Lord Layton, opined that “it is clear that we have to think of these overseas territories not as the possessions of one country […] they are to be integrated with all the countries of Europe and all the overseas territories” (Council of Europe, 1952: 140). Denmark’s representative, Hermond Lannung, echoed Lord Layton, emphasising “the overriding importance of greater cooperation and of a major joint European effort in Africa if we do not wish to see Africa lost to European influence, culture, trade, etc., and in the long run for that influence to be replaced by another continent.” Regarding Africa, Lannung went on to say that “we have before us a great and concrete practical task which calls for the utmost collaboration of us all” (Council of Europe, 1952: 154).

The progenitors of the EEC (1957)[[12]](#footnote-12) all argued for the collective use of Africa. No integration plan created in the post-war period excluded the common use of the African colonies. Poe Hansen and Stefan Jonsson have provided ample evidence that the integration of African colonies into the European project, which took a clear form in the 1957 Rome Treaty, was far from accidental. As in England and France’s earlier negotiations, the inclusion of African colonies in the EEC was a central part of the project (see Hansen and Jonsson, 2011; 2012; 2014a; 2014b). During the negotiations that led to the formation of the EEC, Jean Monnet, regarded by many as the chief architect of European unity, suggested that France give Africa to Europe as a “dowry” (quoted in McKay, 1963: 139). As Britain refused to take part in the negotiations after 1949, France had the greatest number of colonial assets of all the European countries involved, and thus shaped the first EEC trade system with the African colonies.

Hansen and Jonsson have shown that the integration of Africa colonies into the EEC (forming “Euafrica”) was “perceived as both the end of colonialism and an authorisation for its continuation” (Hansen and Jonsson, 2014: 251). Guy Mollet, the French prime minister at the time of the Rome Treaty, saw the association as the greatest achievement of his government, arguing that “not only did the European Community attain a solid foundation,” but the issues with Europe and Africa were “fixed” (quoted in Hansen and Jonsson, 2014: 244). The main issue to which Mollet referred was the predictability of decolonisation. The demand for immediate independence by anti-colonial elites led to fears that the influence of Europe on the continent would diminish after independence, especially against the backdrop of the Cold War.

However, the anti-colonial elites’ acceptance of the idea of development cooperation led Cooper and others to argue that it might be easier to create a union of independent African countries under European guidance than to unify Europe (Deighton, 2006: 216). In the 1950s, France planned to solve the independence problem by creating the French Community, a federation of partly independent former French colonies that cooperated economically with France. As April Biccum wrote, “the success of Development as an idea over the ‘civilising mission’ of the late colonial project could be due in part to a shift in rhetorical emphasis, because, while no-one wants to be colonised, everyone wants to develop” (Biccum, 2002: 41). The creation of the EEC, with the inclusion of the Africa colonies under the mandate of development, “fixed” the problem of Europe and Africa.

It is possible that the importance of Africa was overstated, but this is not the issue of concern here. The aim of this section is to show that the discourse of colonial continuity underpinned the formation of the EEC. In relation to France, Octave Meynier argued that “the creation of Euafrica is the only remedy able to prevent the tragic consequences of a situation that the western world cannot allow to deteriorate any further” (quoted in Hansen and Jonsson, 2014: 250). In relation to Britain, which was not a founding member of the EEC, Stephen Howe argued that “the mission of European integration intertwined with the contemporaneous reformation and/or dismantling of European overseas colonies” (Howe, 2013: 261). The use of both terms— “reformation” and “dismantlement”—is prudent. Although Britain was not part of the Rome Treaty, Sean Greenwood argued that Britain decided to join the union after the Suez crisis in 1957, but did not want to seem desperate (Greenwood, 1996: 88). Britain was indeed one of the first countries to apply for membership of EEC, only three years after the Rome Treaty and before the transitory procedures were completed (Greenwood, 1996: 88;White et al., 2014: 36).

The colonial foundation of EEC has been expunged from the official history of European integration. Historians have abandoned altogether the issue of colonisation in the history of European integration, despite the fact that the first trade system between EEC members and their collective colonies was instituted before independence (see below). Some historians have even suggested that the EEC wanted nothing to do with the colonies, and that the integration project led to decolonisation. Norman Davies, for example, asserted that “decolonisation is a necessary precondition for the emergence of a new European Community” (Davies, 1996: 1068). Clemens Wurm argued that the idea of a European community gained importance in France under anti-colonial pressure, diametrically opposing colonialism to EEC integration (Wurm, 1995: 179). Historians have completely altered the history of European integration by omitting its colonial component.

## Conclusion: Rome Treaty

This chapter has shown that the EEC’s adoption of a self-imposed duty to develop Africa was a perfect continuation of the colonial system. The chapter was arranged around three themes – the language, context and outcome of European intervention in Africa. In the colonial era the development theory of history (civilising mission) provided the language of justification. The language of civilisation adopted in the Berlin Conference was patently neither the cause of the conference nor the reason for Europe’s expansion into Africa. The Berlin Conference was originally held to repair the relationships between European countries injured by increased demand for African territories, and in practice had nothing to do with a civilising mission. This context was replicated by the EEC in the post-war years; African colonies were originally included in the European integration project to reorganise Europe after the war, *not* to develop the African continent. Which means that the linguistic use of ‘development’ is similar to the deployment of civilisation in the colonial era – all front and no substance.

The inclusion of the colonies in the Rome Treaty in a reformulation of the colonial relationship was central to the European integration project for both France and Britain, as noted by Butler (see above). The inclusion of the colonies was a response to the restructuring of Europe following the decline in influence of Britain and France. The Rome Treaty created the foundation for the EU, and also formed the basis of West Africa’s modern trade and development system with the EU. Part IV of the treaty created a space for the inclusion of the colonies. The stated purpose of including the colonies, as set out in the document, was “to promote the economic and social development of the countries [the colonies] and territories and to establish close economic relations between them and the Community as a whole” (Part IV, Rome Treaty, 1957). In addition, the “association shall serve primarily to further the interests and prosperity of the inhabitants of these countries and territories in order to lead them to the economic, social and cultural development to which they aspire” (*ibid*.). This is the language of development, which should be understood in light of the change in the language of justification during the war.

Like the Berlin conference, not one African country was consulted on its inclusion in the Rome Treaty. But even more importantly, the immediate trade system enacted by the original Rome Treaty under the heading of development was an extension of the contemporary colonial monopoly to other EEC members. That is, France extended its trade monopoly in the colonies to Belgium, Italy, Luxembourg, Netherlands and West Germany. Although the language of free trade was used to describe the economic arrangements made in Part IV of the Rome Treaty (*ibid*.), this rhetoric was deflated by a committee set up as part of an effort by the General Agreement on Tariffs and Trade (GATT) to investigate the trade system. The GATT committee regarded the trade system created by the Rome Treaty between the EEC and the West African colonies as merely “an extension of the existing preferential arrangement” (Barnes, 1967: 9-10). This is also the submission of the United Nations Commission for Africa. In other words, existing preferential arrangements such as France’s trade monopoly were extended to the other EEC members in the name of economic development. In turn, the other EEC countries agreed to contribute to the maintenance of the colonies, replacing French colonial aid in principle (Marcussen and Torp, 1982: 50).

However, as West Africa was still under colonial rule at the time of the Rome Treaty, independence led to the transformation of Part IV of the treaty, which detailed the trade system between EEC and its colonies, into an international trade system (Bartels, 2007: 729). This was the beginning of EU trade experiment with West Africa. As the next chapter will argue, the neo-colonial intentions of the trade system merged with the local political elite search for bases for survival.

# Chapter 5: Yaoundé Convention. 1960-1975

## ****Introduction****

The first European Economic Community (EEC) trade system, established in the Yaoundé Convention, covered the period from 1963 to 1975. With the exception of Guinea, all of France’s former colonies in West Africa signed up to the Yaoundé Convention. As the former British colonies and Guinea were not part of the Yaoundé Convention, they were not exposed to either the advantages or disadvantages conferred by the Yaoundé provisions. This offers a useful opportunity to test our theory of threat-induced diversification by comparing the economic and political trajectory (followed by ruling elite for political survival) of the former French colonies with that of the former British colonies and Guinea. The main question addressed in this chapter concerns the extent to which the first of the EEC trade systems (under the Yaoundé Convention) functioned as a tool for the extension of the colonial economic system by interacting with ruling elites quest for survival to prevent diversification. In other words, to what extent did the ruling elites of West African countries used the Yaoundé convention as the economic basis for their survival?

To answer this question, the development trajectories of Ghana and Côte d’Ivoire—outside and within the EEC trade bloc, respectively—are compared. The thesis of the chapter is that the provisions of the Yaoundé Convention (in its interaction with political elites’ quest for survival) protected the minimum economic performance level in Côte d’Ivoire and other Yaoundé associated countries, while Ghana and other non-associated countries experienced threats and diversified in a bid to search for new bases of state rule and political survival.

Throughout the period covered by the Yaoundé Convention, Ghana allocated resources on the basis of ‘systemic vulnerabilities’. Whenever the international price of the country’s main export product (cocoa beans) dropped below a certain level, the ruling elites becomes insecure and the government of Ghana put forward a program for diversification in a bid to search for new bases for survival. This was also the case in Guinea, Nigeria and other countries outside the EEC trade system. In Côte d’Ivoire, by contrast, the Yaoundé provisions not only removed the policy space required to diversify but subsidised the contemporary export system such that internal (price-induced) pressure to alter production or export pattern was largely absent.

By extension, therefore, association with the EEC created a gulf between Yaoundé-affiliated and non-Yaoundé-affiliated West African countries during the first development decade, the 1960s. The two groups of countries were as follows.

* Affiliated countries: Côte d’Ivoire, Mali, Senegal, Dahomey (Benin), Upper Volta (Burkina Faso), Togo and Niger. In 1975, at the end of the Yaoundé trade experiment, the affiliated countries were more dependent in terms of product and market concentration than during the late-colonial years. For example, the Ivorian market concentration in cocoa beans increased from 40 percent in 1960 to 73 percent in 1975 (Tuinder, 1978: 344). On average, these countries grew faster than their non-affiliated counterparts, but could made no attempt to diversify away from their respective colonial products. Furthermore, countries in this group experienced less economic crisis and by extension less political crisis.
* Unaffiliated countries: Ghana, Guinea, Nigeria and Sierra Leone. By 1975, all of these countries had endeavoured to diversify away from colonial products in search for political survival. For example, the negative effects of a potential commodity price drop on government revenue, balance of payments and ultimately political and social stability encouraged diversification. The 1961 commodity crisis led to a balance of payments crisis in Ghana, which in turn led to an austerity budget and finally social and political crisis. The ruling elites felt threatened and diversified. The economy of the neighboring Guinea had completely diversified into minerals by 1965, due to the 1961 commodity crisis. Although the unaffiliated countries were much more diversified than their affiliated counterparts by 1975, they grew at a slower rate and all encountered variations of political crisis.

The unaffiliated countries therefore conformed to the political origins of diversification in LAO societies while the affiliated countries used the trade system as a system of extraversion. [[13]](#footnote-13)

This chapter prepares the ground for investigation of the EEC’s more recent (1975 and 2000) trade systems in the following chapters of this study. Whereas the Yaoundé decade was characterised by divergence in development, because not all West African countries were part of the EEC trade system in the 1960s, the development trajectories of Ghana and Côte d’Ivoire began to converge in the subsequent development decades, mainly due to Ghana’s joining the trade system in 1975. Indeed, all of the countries of West Africa joined the EEC trade system in 1975, and the outcome was a marked similarity in development trajectories, namely a specialisation in sub-optimal sectors selected by the European Union (EU).

This chapter is organised as follows.

Following the current introductory section, the second section demonstrates the historical similarities between Ghana and Côte d’Ivoire until their divergence after the commodity crisis of 1961. The commodity crisis caused economic and political disturbance in Ghana (systemic vulnerability), which prompted the ruling elites to diversify away from cocoa in pursuit of political survival. In contrast, Côte d’Ivoire was shielded from crisis by price support/subsidies, in return for reduced policy space. After 1961, Ghana and Côte d’Ivoire followed different trajectories.

The third section of the chapter comprises a case study of Ghana’s development trajectory from 1961 to 1975. The link between commodity price reduction and threat to political elites is explored to confirm, and then the link and between such threats and government efforts to diversify under the regimes of both Kwame Nkrumah and his successors is explored in details. The Ghana case study will confirm the political origins of economic change in LAO.

The fourth part of the chapter comprises a case study of Côte d’Ivoire’s development trajectory from 1961 to 1975. The region’s development trajectory is shown to be an outcome of the trade system installed by the EEC; or, more accurately, the trade system installed by France and preserved by the EEC. Côte d’Ivoire’s economic success, which many scholars consider a miracle, was simply due to an expanded market advantage for colonial products. The ruling elites were protected against the vagaries of the market through the mechanism of price support.

In the final part of the chapter, the investigation of the divergence between Ghana and Côte d’Ivoire is extended to West African countries at large. The development trajectories of Guinea, Nigeria, Togo, Niger and Cameroon are introduced.

In conclusion, this chapter will show how the quest for political survival in times of threat has induced political elites in Ghana to promote diversification and industrialisation, and how the EEC trade system has secured the position of ruling elites in Côte d’Ivoire by guaranteeing minimum economic performance and perpetuating a static production system.

## *Background: Similarities between Ghana and Côte d’Ivoire*

One of the most celebrated moments in West Africa’s history is the 1957 wager between Kwame Nkrumah and Felix Houphouet-Boigny, the leaders of Ghana and Côte d’Ivoire, respectively. Shortly after Ghana gained its independence, Nkrumah paid his first official visit abroad to the neighboring Côte d’Ivoire, where he entered into a philosophical debate with Houphouet-Boigny on methods of achieving economic development (Meredith, 2011: 66). Whereas the Ghanaian Prime Minister preferred economic independence by breaking ties with the colonial owner, his host opted for close ties with the colonial system (Woronoff, 1972; Wallerstein, 1971: 3). This disagreement led to a wager between the leaders, which have been the subject of several comparative studies in the 1960s (see Foster and Zolberg, 1971). Houphouet-Boigny explained the terms of the wager to his compatriots as follows: “A wager has been made between two territories, one having chosen independence, the other preferring the difficult road to the construction, with the metropole… Let us undertake this experiment in absolute respect for the experiment of his neighbor, and in ten years we shall compare the results” (Meredith, 2011: 66).

The timing of the wager was appropriate because the economic systems of Ghana and Côte d’Ivoire were comparable in 1957. Both countries were fundamentally colonial economies with roughly the same levels of product and market concentration. Cocoa accounted for about 60 percent of Ghana’s export, and gold and timber contributed a significant proportion of the rest. In Côte d’Ivoire, coffee accounted for 60 percent of exports, and cocoa and timber contributed a significant proportion of the rest. In terms of both market concentration and source of imports, Ghana was oriented towards Britain and Côte d’Ivoire was oriented towards France. Lawrence Alschuler (1988: 68) identified three key elements of Côte d’Ivoire’s economic system: production concentration (coffee, cocoa and wood, representing 87 percent of the region’s production); trade-partner concentration (with France as the main market destination); and a vertical system within the international division of labor. The same has been said of Ghana at independence (World Bank, 1960: 4).

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| Table 5. 1 Indicators of external economic dependence for Ghana and Côte d’Ivoire, 1956-1958

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| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  |  |  |
|  Ghana Côte d’Ivoire |
| Exports |  |  |  |  |
| Percent**age** of leading product 60 60 |
| Percent**age** of 2nd-5thproducts 38 37.5 |
| Percent**age** of leading market 35 60 |
| Percent**age** of 2nd-5th markets 50 33.3 |
|  |  |  |  |  |
| Imports |  |  |  |  |
| Percent**age** from leading source 45.5 70 |
| Percent**age from** 2nd-5th sources 33.3 16.7 |
|  |  |  |  |  |

 |  |  |

Source: Green (1971: 238)

In the late 1950s, Ghana and Côte d’Ivoire were the most successful British and French colonies in Sub-Saharan Africa. Côte d’Ivoire grew a little faster than Ghana at the time of their leaders’ wager in 1957, due to its late conversion to a colonial economy (Amin, 1973: 54). To elaborate on this: despite becoming a colony in 1893, Côte d’Ivoire only acquired a colonial economy in the post-1945 era. Several scholars (Amin, 1973: 50; Zolberg, 1960; Green, 1971: 235; Tuinder, 1978: 14; Campbell, 1978: 68-70) have divided the economic and political history of Côte d’Ivoire into the periods before and after the Second World War. Before 1946, the region’s economic regime was characterised by compulsory cultivation and forced labour, controlled by France (Cooper, 1996: 118). Local producers were forced to cultivate certain products to provide raw materials for French industries (see Basset, 2000: 51-85). The colonial authorities also sought to develop the colony through the activities of European settlers, who were encouraged to settle in Côte d’Ivoire after the First World War. They owned plantations producing coffee and later cocoa, and were supplied with labour as part of an unpaid labour service scheme that operated as a form of tax (Amin, 1973: 50). The program of forced cultivation implemented before 1945 failed to transform the colony. As soon as forced labour ceased, cultivators stopped farming the colonial product. This was most noticeable in the cases of cocoa and cotton (Basset, 200: 51-85). Social changes after 1945 led to the abolition of methods such as forced labour and compulsory cultivation in the colonies (Campbell, 1978: 74). The post-1945 era was the beginning of Côte d’Ivoire’s modern history.

A law passed on April 5, 1946 suppressed forced labour, extended citizenship to all subjects of Côte d’Ivoire and abolished the discriminatory legal code. France began to invest massively in Côte d’Ivoire to support the indigenous production of coffee and cocoa, rather than enforcing compulsory cultivation. All of the economic, political and social institutions operating in the region after 1945 were created to support the post-1945 plantation economy. The growth of Côte d’Ivoire’s economy during the 1950s was unprecedented, due to the change in colonial policy in 1945. Throughout the 1950s, the region grew by 7-8 percent per year (Amin, 1973: 50), and became the most successful French colony in West Africa in 1956, after overtaking Senegal. With the post-war expansion of commercial agriculture, the area of Côte d’Ivoire’s farmland increased massively.

Côte d’Ivoire’s late conversion was not replicated in Ghana. Samir Amin observed that the economic system in 1960s Ghana had been in place as early as 1914 (Amin, 1972: 42). The early transition of Gold Coast (the name of the country before independence) to a colonial economy was due to Britain’s initial emphasis on the local cultivation of cocoa. Gold Coast became a major producer of cocoa in the 1920s. Production increased significantly after the First World War, and peaked at 310,000 tons in 1936. By the late 1940s, planters were facing problems. The increase in commodity prices in the post-war years did much to conceal these problems (as replanting demands considerable investment). Between 1947 and 1950, the price of cocoa more than doubled (Kay, 1972: 359). Between 1936/40 and 1951/55, the nominal value of cocoa increased more than sevenfold, while the real value increased almost threefold. In the same period, cultivation increased by only 15 percent. The money price of cocoa increased from £18 per ton in 1935 to £200 per ton in 1948, and to £400 per ton in 1954 (World Bank, 1957: 5). Crucially, Côte d’Ivoire had a slight production advantage over Ghana during the late 1950s due to its late conversion to a colonial economy and abundant uncultivated forestland. The amount of available forestland has an important influence on cocoa/coffee cultivation, because forest is a production factor for planters of both crops (Clough et al., 2009: 198). The abundant forestland in Côte d’Ivoire in the late 1950s has been likened to that of Gold Coast of 1914 (Green, 1971: 235; Amin, 1967). Nevertheless Ghana and Côte d’Ivoire were virtually similar at the time of the wager.

At the time of the leaders’ wager, despite Nkrumah’s anti-colonial stance and unremitting advocacy of structural change, industrialisation and diversification, there was no effort to diversify after independence (Fitch and Oppenheimer, 1966: 82). Nkrumah initially employed Arthur Lewis, an expert in economic development, to advise his government on the question of industrialisation (Brainard and Perry, 2004: 224). Lewis advised against any hurried decision to industrialise, as cocoa was lucrative.[[14]](#footnote-14) In essence, Nkrumah’s government followed Houphouet-Boigny’s position on continuity—that is, continued to promote cocoa exportation— after the wager. It was until the commodity crisis of 1961 threatened his position and induced the government of Ghana to undergo diversification, designed for the political survival of ruling elites.

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## *1961: Point of Divergence between Ghana and Côte d’Ivoire*

The development trajectories of Ghana and Côte d’Ivoire diverged in 1961, when the commodity crisis created something close to a political crisis in several West African countries due to the reduction in minimum economic performance (Herbst, 1993: 21). The countries’ responses to the crisis differed: Ghana attempted to diversify away from the production of commodities following the threat posed to ruling elites, whereas Côte d’Ivoire was protected from the crisis by a trade system resembling that under French colonial rule.

Jeffrey Ira Herbst wrote that “the modern economic history of Ghana began with the government’s response to the initial foreign exchange crisis in December 1961” (Herbst, 1993: 21). More accurately, however, Ghana’s modern economic history began with the government’s response to a reduction in cocoa prices that immediately rendered the country’s previous development plan redundant (Krassowski, 1974: 45). On average, world cocoa prices in 1961 were the lowest of the post-war period (see chapter supplement). The 1961 prices were approximately 52 percent lower than those in 1958, and 65 percent lower than those in 1954 (Scandizzo and Diakosavvas, 1987: 124; Fitch and Oppenheimer, 1966: 85). In addition, import prices rose sharply in 1960 and 1961, leading to a balance of payment deficit (Krassowski, 1974: 45). More importantly, however, the massive drop in cocoa prices had not been envisaged in the five-year development plan introduced in 1959. According to detailed readings of the plan, 80 percent of the overall capital requirement of £147 million was to be drawn from local resources, with the remaining £32 million to be raised through external borrowing (Krassowski, 1974: 41). The main sources of local financing were (1) the existing accumulated reserves of the central government and (2) the reserves of the Cocoa Marketing Board (CMB). Sums of £50 million each were obtained from these two sources. However, as Andrzek Krassowski observed, the feasibility of the CMB’s contribution was dependent on cocoa prices.

In addition, government reserves, the second source of domestic funding, were not completely unaffected by changes in cocoa prices. For example, government reserves decreased precipitously in 1960/61 due to the combined reduction in cocoa prices and increase in the cost of importation. The import bill rose from £95 million in 1958 to £163 million in 1961, while that of exports increased at a lower rate, from £110 million to £120 million, in the same period (Krassowski, 1974: 45). The slight increase in the export bill despite the reduction in cocoa prices was caused by an increase in the quantity of cocoa beans exported; for example, exports increased from 197,000 tonnes in 1958 to 405,000 tonnes in 1961 (Fitch and Oppenheimer, 1966: 85). As a result, planters were paid more and government revenue decreased. The balance of payment on the government’s current account dropped from more than £11 million in 1958 to a £52 million deficit in 1961. As a result, government reserves decreased sharply, and foreign-exchange reserves were also affected. The foreign-exchange reserves inherited at independence, which stood at £178 million in 1958, fell to £73 million in 1961. The Ghanaian government controlled the CMB, using it as a system of taxation and domestic price fixing. Therefore, the reduction in cocoa prices did not affect local producers, but decreased government revenue and social spending. According to Andrzej Krassowski, “had this rate of depletion [gone] unchecked, Ghana’s foreign reserve could have vanished in 1962-63” (Krassowski, 1974: 45). This estimation was made on the basis of the ongoing increase in the import bill and reduction in cocoa prices. The decision to halt the 1959 development plan was inevitable under these circumstances, and the decision to diversify that follows (see Ghana case study below) can also be read as inevitable given the sustained decrease in cocoa prices. But what really triggered the attempt to diversify away from cocoa beans after 1961 was the threat this crisis posed to Nkrumah and the ruling elites.

One might expect Côte d’Ivoire to have been more affected than Ghana by the crisis of 1961, because the price of coffee dropped even further than that of cocoa. But the ruling elites in Côte d’Ivoire negotiated with France (and letter EEC) to introduce a temporary trade system that separates its production from world-market prices. In 1961, the former colonial power offered to continue preferentially importing Côte d’Ivoire’s principal agricultural products—including cocoa, coffee and bananas—via a quota and a guarantee of prices higher than world-market prices (World Bank, 1963:10). In exchange, Côte d’Ivoire was required to guarantee the exclusive importation from France of certain industrial products; the importation of fixed proportions of other products; and the imposition of at least a 35 percent import duty on all non-French imports (World Bank, 1963: 11; Campbell, 1978: 84; Alschuler, 1988: 72). The details of the temporary trade arrangement were re-negotiated in 1962, after Algeria gained independence from France. Originally, France agreed to purchase 100,000 tons of Ivorian coffee annually (more than 70 percent of Côte d’Ivoire’s coffee production at that time), at prices more than double those of the world market (3.20 French francs per kg. c.i.f., compared with world-market prices of 1.40 to 1.60 French francs per kg, c.i.f.). The 1961 figures included Algeria’s yearly consumption of about 10,000 tons of coffee. Following Algeria’s independence in 1962, the quota was revised downward to 88,000 tons (Campbell, 1978: 80). Under the revised trade agreement, France paid more for Ivorian cocoa, coffee, bananas and pineapples.

More specifically, however, the Cooperation Arrangement included a clause that required Côte d’Ivoire to maintain its importation of French products at or above the 1960 level of 22-23 billion CFAF (Campbell, 1978: 84), even when these products were not particularly competitive in the world market (Alschuler, 1988: 72). The system of import quotas instituted in the 1961 agreement was even more demanding. Côte d’Ivoire was required to import all of its wheat and flour from France, as well as at least 70 percent of its wine and beverages, 70 percent of its printed cloth, 60 percent of its milk, 50 percent of its tractors and air conditioners, 30 percent of its household electrical equipment, and so on (Campbell, 1978: 84). In essence, therefore, France provided support for Côte d’Ivoire’s production system in exchange for a guaranteed market.

The 1961 agreement offers a useful framework for investigating the EEC’s subsequent trade system with West African States: the Yaoundé Convention, the Lomé Convention and the current Economic Partnership Agreement (EPA). All of these trade systems to some extent protected and promoted certain economic activities at the expense of change. Without the 1961 agreement the ruling elites in Côte d’Ivoire would have felt threatened, like the ruling elites in Ghana, and responded with a program for diversification to create new basis of stated rule. It might be argued that France (and the subsequent EEC trade system) was merely helping the region to avert a political crisis in response to the commodity crisis. Indeed, the commodity crisis did cause political disturbance in Ghana and Guinea and other non-affiliated countries. However, this argument is specious, as precisely such a crisis was necessary to alter the local production system as the Ghana post 1961 case study shows below.

So far, I have demonstrated the similarities between Ghana and Côte d’Ivoire prior to the 1961 commodity crisis in cocoa and coffee. The first case study below illustrates the threat posed by the commodity crisis (which amounted to a reduction in minimum economic performance) to the position of ruling elites and the coalition at large in Ghana, in the absence of the EEC trade system. To ensure their political survival, ruling elites instituted a diversification and industrialisation program. The first case study is an in-depth analysis of the threats to and diversification attempts made by Nkrumah’s administration and subsequent administrations in Ghana between 1961 and 1975. This case study supports the theoretical premise of threat-induced diversification and illustrates the political origin of industrialisation. The second case study shows how threat-induced diversification was thwarted in Côte d’Ivoire due to the presence of the EEC trade system, which created a platform for ruling elites to guarantee their survival.

## First Case Study: Ghana, 1961-1975; Threats and Diversification Attempts

Starting from the commodity crisis in 1961, this case study will investigate the relationship between threats to ruling elites (in form of reduction in minimum economic performance) and diversification attempts in Ghana up to the point of 1975. It shows how the reduction in minimum economic performance threatened ruling elites and induced diversification and industrialisation. As we have already seen, the development trajectory of the Nkrumah administration (1957-1966) changed course in 1961 due to the commodity crisis. According to Fitch and Oppenheimer, “[p]re-1961 Ghana had been guided by a development strategy formulated by W. Arthur Lewis. This strategy, which emphasised total dependence on foreign capital to industrialise the country, brought nearly complete disaster” (Fitch & Oppenheimer, 1966, pp. 82-83). Lewis emphasised the continued promotion of cocoa beans and investment in infrastructure and education. Accordingly, the 1959 development plan was centered on improving infrastructure and education and increasing agricultural productivity (Krassowski, 1974: 36). The 1959 development plan followed the Public Investment Consolidation Plan (1953-1958), which was also guided by Lewis. As stated in the previous sub-section, Lewis’s counsel became impossible to follow in 1961, after the drop in cocoa prices. Price forecasts in 1961 projected an ongoing decrease in cocoa prices (World Bank, 1986: 49).

The Ghanaian government’s initial response to the fall in cocoa prices, and the ensuing balance of payment crisis, was to prepare an austerity budget and stick with the plan. In collaboration with the Hungarian economist Nicholas Kaldor (Roger, 2005: 135), the finance minister F. K. D. Goka hastily prepared an austerity budget. The budget introduced a consumer tax, a new purchase tax, and a compulsory 5 percent saving levied on all income exceeding $330 per annum. The budget was an attempt by the government to maintain the 1959 development plan. However, the first attempt to collect the mandated revenue led to a major strike among transport workers in Ghana’s two biggest cities: Accra and Kumasi (Roger, 2005: 135; Legun, 1964: 149). Members of the opposing political party exploited the strike to emphasise the growing cost of living. The social crisis became a political crisis as the ruling elites started to loose support from its stronghold. The government responded by arresting prominent members of the opposition, which in turn changed Ghana’s political composition.

Colin Legun argued that “the whole complexion of Ghana politics changed as a result of the crisis of 1961,” with a marked reduction in the general support for Nkrumah (Legun, 1964: 149). This threat of loss of support was due to the direct link between economic prosperity and political legitimacy in Ghana and in Africa at large (Killick, 1987). The economic crisis led to a partial loss of political legitimacy and emboldened the opposition, to which the ruling political elites (the Convention People’s Party) responded by gradually but forcefully consolidating a one-party state. Therefore, the country’s political development cannot be disentangled from its economic crisis. Both Ghana’s economic and political systems changed course in 1961 following the threat to the ruling elites and the response to guarantee political survival (Botwe-Asamoah, 2005: 127; Kraus, 1998: 471).

The 1959 development plan was discontinued after the failure of the austerity budget. The government also halted any further or pending investment in the cocoa sector. The post-1961 development strategy was an attempt to find a new economic basis for legitimacy; this amounted to an effort to change the structure of the Ghanaian economy by implementing industrialisation and mechanization (Carlsson, 1983: 60; Nugent, 2004: 173; Okereke and Agupusi, 2015: 47; Lofchie, 1971: 79; Biswal, 1991: 81). A plan to diversify and industrialise the economy had been advocated by Nkrumah since the late 1940s. However, as Fitch and Oppenheimer observed, it took the commodity crisis to induce Nkrumah to invest seriously in diversifying the economy (Fitch and Oppenheimer, 1966: 82).

The policy shift after 1961 is treated by many politics scholars as the outcome of Nkrumah’s visit to the Soviet Union in the same year, and therefore as a purely ideological change (Natufe, 2011: 275; Biney, 2011: 104; Roger, 2005: 131; Laïdi, 1990: 21; Biswal, 1991). However, this reading omits the economic factors that led to the change in policy. Scholars have supported the argument of political radicalisation, as the rationale for change in Ghana, by citing the increasing use of socialist language by the ruling party after 1961.[[15]](#footnote-15) Assessments of the post-1961 strategy have also been highly politicised, and the supposed failure of development under the Nkrumah administration is attributed to flaws in the regime’s implicit philosophy: socialism. But in contrast, scholars with an economic orientation (Genoud, 1969: 141; Friedland and Rosberg, 1964: 149; Krassowski, 1974: 45; Herbst, 1993: 21; Frimpong-Ansah, 1992: 90; Lal, 1986: 19; Killick, 1978:100) have described the 1961 change as a response to the commodity crisis and balance of payment issues.

The price of cocoa never recovered under Nkrumah’s administration, which lasted until February 1966, and the administration never gained the confidence of the people. On the contrary, cocoa prices decreased even further. For example, the 1965 prices were the lowest since the 1930s, validating the diversification attempt. As a result, the government made no further investment in cocoa, but subsidised producer prices to prevent more social crisis (World Bank, 1967: 19) and consolidated a one-party state. The need to diversify in 1961 is indisputable following our theory of threat-induced diversification. The threat to the ruling elites, by a sustained reduction in cocoa prices, induced the government to search for other economic basis for their survival. The question is whether the diversification efforts were successful.

### *Post-1961 Development Efforts*

Scholars have almost unanimously agreed that Ghana’s diversification scheme was a complete failure (e.g. World Bank, 1967, 1969; Berg, 1971: 187; Rimmer, 1966; Killick, 1978). In most cases, this argument rests on the foreign debt accumulated during the diversification era. The post-1961 structural change was largely financed by foreign loans and supply credit. An economic survey in 1964 recorded a total external debt of £187 million, £157 million of which comprised credit from suppliers. The bulk of the repayments were scheduled for 1965-1970. By early 1966, the country had more than 200 separate payment commitments, with a contract value of US$710 million (World Bank, 1967: ix). The unfeasibility of meeting these commitments supports the failure thesis. Other arguments include growing inflation, food shortages and an absence of growth during the development era. Output per capita in 1966 was the same as in 1960, whereas consumer prices were 75 percent higher than their 1960 levels (Berg, 1971: 187). The annual growth rate of gross domestic product (GDP) in constant prices declined from 4.8 percent in 1961 to 1.1 percent in 1968 (Steel, 1972: 215). These are just some of the factors supporting the thesis that Ghana’s post-1961 development attempt was a complete disaster.

Although the World Bank conceded that the fall in cocoa prices might have warranted an attempt to diversify, it maintained that industrialisation and mechanisation (the post-1961 strategy) were ill suited to Ghana’s resource endowment, domestic market and realistic foreign trade possibilities (World Bank, 1972:61). Other writers have suggested that the development failure uncovered problems with the implicit philosophy of government-sponsored industrialisation (Berg, 1971; Due, 1969).

However, the failure thesis is flawed. Other than financial debt, the main indices used by previous scholars to evaluate Ghana’s development are GDP and output growth (World Bank, 1967; Berg, 1971; Green, 1969). These are not adequate measures of the success of structural change. The post-1961 change broadly reflected a shift in the end use of capital from the creation of social overhead capital, as advocated by Lewis, toward directly productive activities in non-traditional sectors. This shift was manifested in the modernisation of agriculture and import substitution industrialisation (ISI). Discontinuous growth or transformation from a low to a high equilibrium does not necessarily translate into a high growth rate at an early stage. This is a historical fact. Yet few writers have been circumspect enough to concede that a four-year time frame (1962-66) is too short for any industrial policy to have a positive effect (Genoud, 1999; Hymer, 1971). Some factories were still in construction when the 1966 coup occurred. Furthermore, the post-1966 government reversed the transformation process and cancelled incomplete projects under the guidance of the stability program implemented by the International Monetary Fund (IMF). It is thus difficult to assess the success of Ghana’s attempted mechanisation and ISI, especially in terms of input/output.

Some scholars have compared the development efforts of Ghana and South Korea, which began in the same period (Konadu-Agyemang, 2000: 473; Werlin, 1994). Both countries followed the structural-transformation route in the early 1960s, and the divergence in outcomes has been explained in terms of differences in bureaucratic effectiveness, culture and soundness of policy (see Werlin, 1994). Without going into the specific policies of both countries, it is indisputable that South Korea pursued structural transformation for more than thirty years, while Ghana’s transformation ran for barely four years before being dismantled by the new military government, the National Liberation Council (NLC). Policy duration is thus one crucial difference between Ghana and South Korea. However, the description of Ghana in the 1960s as undergoing “modernisation without growth” is related more to structural change (Aryeetey et al., 2000: 63). The massive Volta River Hydro-electric Project, which took place largely in 1963-5, is a case in point. Although this infrastructure added to the country’s capital assets, it could not have been expected to produce immediate growth or output. Therefore, investment/output ratio is not the right tool for assessing Ghana’s performance in 1961-1966. But, how should structural transformation be measured in its early stages?

In his research on past patterns of structural change, Simon Kuznets identified several ways of measuring progress (Killick, 1978: 167), as follows. (1) A shift in production and employment toward the industrial sector (similar to the dual-sector model); (2) a shift from primitive to modern production techniques and technology; (3) a change in factor proportions in favor of human and physical capital; (4) an increasingly complex network of inter-sectoral flow; and (5) the development of an institutional framework for industrial activities. Although the Ghanaian development effort lasted for only four years, Killick showed that changes took place in each of the above areas, as follows (Ibid).

First, industrialisation occurred in Ghana during the diversification phase of post 1961. Although GDP grew by 2.5 percent annually, manufacturing value added in constant prices increased by 8.8 percent from 1962 to the end of the decade (Killick, 1978: 167). The recorded employment in manufacturing rose by 8 percent annually from 1962, compared with a 2.2 percent growth in total employment (Killick, 1978: 168). Furthermore, the industrial base expanded so rapidly that several researchers identified the massive underutilisation of industrial capacity after the Nkrumah years as a major problem for Ghana (Steel, 1972: 227; World Bank, 1972: 168). Surplus unused capacity is one of the factors cited as evidence of the failure of the Nkrumah development experiment (World Bank, 1972: 168). For example, the World Bank argued that as no feasibility studies or market research were conducted to test the assumptions that led to the establishment of industries (*ibid*.), surplus capacity was the result of poor investment decisions. It has been estimated that by 1968, fewer than a sixth of the plants installed in Ghana were yielding manufacturing output (Steel, 1972; Streeten, 1973). This lack of capacity utilisation has been treated in several studies as evidence of the wastefulness of the government-led industrial policy (World Bank, 1972: 61; World Bank, 1968; Killick, 1978: 197; Ahiakpor, 1985: 539). However, careful attention to the facts reveals that this claim is hasty and misguided.

Ghana’s unused industrial capacity was one outcome of the disconnection between Nkrumah’s policies and those of the succeeding military government (the NLC). After the NLC reversed Nkrumah’s development program (partly due to the sudden increase in the price of cocoa beans), factories became underutilised. One example of surplus unused capacity was the Asutsuare Sugar Corporation (Wel, 1973: 13). As part of its diversification scheme, the Nkrumah government implemented a sugar-exportation program with the aim of exporting sugar to regional markets before the end of the 1960s. There was a potential regional market for sugar, because Nigeria and other countries in the region were net importers. With technical assistance from the Food and Agriculture Organisation (FAO), the government commissioned the construction of a large Polish-built sugar factory (Asutsuare) in 1964, capable of crushing 200,000 tons of cane (Due, 1969: 33). With assistance from Czechoslovakia, another sugar factory (Komenda) was in construction at the time of the coup in 1966 (World Bank, Nov. 15, 1972: 1). Only 4,000 acres of sugarcane had been planted when the coup occurred. However, as pointed out by John Due, plans have already been made and ground prepared by the irrigation of the Volta Basin for planting more sugarcane (Due, 1969: 31). As the NLC ceased all investment in the sugar scheme, these sugar factories became a classic example of excessive production capacity after the coup (Wel, 1973: 13). The same can be said of other industrial programs with mechanised farms for raw materials. The general utilisation of Ghana’s agro-industry plants was calculated as only 29 percent at the end of 1966, and fewer than 50% of the factories in the whole manufacturing sector were in use in the same year (Due, 1969: 642).

Illustrating the industrial progress already achieved at the time of the coup, Killick calculated that of the 43 import items with the value of 1 million cedis or more in 1960, 33 were either produced in Ghana at the end of the 1960s, or were associated with standby factories (production capacity) (Killick, 1978: 168).[[16]](#footnote-16) The remaining 10 items comprised mainly machinery and transport equipment.

In terms of changes in factor proportions, there was an 80 percent increase in fixed capital between 1960 and 1965. Inter-sectoral flow, as a proportion of value added, had increased to 14 percent by the end of 1968, from barely 9 percent in 1960. But the biggest leap was registered in production techniques; the Nkrumah government not only created industries but also attempted to mechanise the agricultural sector. At the time of the military coup in 1966, about 1,205 state and institutional farms had been established, 870 of which were cooperatives run by the United Ghana Farmers’ Cooperative Council (UGFCC). The State Farms Cooperation, universities, prisons and workers’ institutes managed the rest of the mechanised farms. The UGFCC farms were equipped with 40 tractors and implementation stations. In 1965, these stations held as many as 919 tractors, 1,087 tillers and cultivators, 32 combine harvesters, 20 corn shellers, 7 trucks, 95 trailers, etc. (Due, 1969: 28). The government recruited foreign experts to conduct research and provide repair and other technical services. Most of the mechanised farms were still in their infancy when Nkrumah’s government was deposed in 1966. For example, products such as rubber, palm oil and coconut planted in 1963/64 had not yet reached their first harvest when the 1996 coup occurred. The military government dismantled most of the farms, arguing that they were unsustainable and channels for corruption (Report of the Agricultural Committee of the National Liberation Council, 1968). The NLC administration also made the political point of expelling the foreign technical advisers manning the factories and mechanised farms, regarded as communists and socialists. Up to 1,100 Russians, 430 Chinese and scores of other communist and socialist advisors were expelled in 1966 (Dunbabin, 1994: 282). This left many of the mechanised farms and factories devoid of technicians and experts. The new government also broke diplomatic relations with Moscow and terminated all pending industrial assistance from/agreements with countries that they considered to be communist or socialist.

The eviction of technicians from the mechanised farms and factories presaged the dismantling of the diversification program. It would have been difficult for the new government to continue the program after expelling its technical staff, because the country lacked trained technicians. Minor problems such as the breakdown of industrial/mechanised tools morphed into operational problems due to the absence of technicians providing repair services. In a 1969 study entitled *What Happened to the Ghanaian State Farms?*, Due reported that broken down farm equipment often brought entire farm operations to halt, due to the absence of qualified technicians for repair and servicing (Due, 1969).

Clearly, therefore, the NLC attempted to make a political point by presenting the Nkrumah regime as a failure. However, some of the industries installed by Nkrumah became profitable only a few years after the coup (see Table 2). The supposed failure of Nkrumah’s development exercise was linked with the failure of its implicit underlying philosophy: socialism. Although a discourse of African socialism emerged during the post-1961 development era, Roger Genoud has shown that no elements of a socialistic system were implemented in practice (Genoud, 1969). Nkrumah’s economic change was simply the outcome of the price and balance of payment crisis, which threatened the ruling elites and instigated a process of diversification. As the economic crisis of the early 1960s threatened the very foundations of political rule, the government consolidated its power by introducing a one party state and attempted simultaneously to diversify Ghana’s economy.

But Ghanaian trade shifted toward Eastern European countries after 1961. For example, the share of Ghanaian trade with the socialist bloc increased from 6 percent in 1960 to 24 percent in 1996. During this period, coefficient estimates indicate that the geographical origin of imports decreased from 61.1 percent in 1960 to 45 percent in 1966, while the geographical concentration of exports decreased from 54 to 45 percent (Killick, 1978: 127-128). Ghana’s market diversification through increased trade with the socialist bloc was a reaction to the displacement of Ghanaian cocoa beans in the EEC. After the implementation of the Yaoundé Convention, there was a shift in Ghana’s trade destinations away from European countries such as the Netherlands and West Germany (Green, 1969: 241). Côte d’Ivoire’s cocoa exports displaced those of Ghana and Nigeria in the EEC countries (especially in the Netherlands) due to trade preferences accorded to the former French colonies. Côte d’Ivoire gained a market preference of 9 percent in the EEC, leading Ghana’s government to seek buyers in Eastern Europe. Other regional exporters, such as Nigeria, were also affected by the EEC trade system. Nigeria responded to its market displacement by attempting to join the Yaoundé trade system.

In sum, according to all of Kuznets’ indicators, the Ghanaian economy was in transition by the time of the military intervention. The NLC’s reversal of Nkrumah’s development efforts, in part motivated by political considerations, was responsible for the “failure” of the development initiative. Growth economists have submitted that the program was a failure because no high growth rate was exhibited during the development process (World Bank, 1971: 11; Berg, 1971), but it is impossible to assess structural transformation using a standard growth and output model. The progress achieved within the short timeframe was remarkable, as evidenced by the Volta River Project[[17]](#footnote-17) and the construction of 1,205 mechanised farms and a range of industries.

The main point emphasised in this section is that Ghana’s effort to diversify was induced by the 1961 commodity crisis, which threatened the position of the ruling elites. The political origins of the development efforts are therefore in the quest for political survival. If a trade system had been in place to provide Ghana with price support during the 1961 crisis (as it were in Côte d’Ivoire), the aborted development attempt would never have been made. Just as the cocoa crisis created the conditions for development, the recovery of cocoa prices after 1966 enabled the new government to abandon the development initiative and return to cocoa production. Nevertheless, when another cocoa crisis occurred in 1970, the new ruling elite felt threated and ceased investing in cocoa (the second such cessation in a decade) and returned to Nkrumah’s diversification program in a search for basis for political survival.

Table 5. 2 Profit and loss records for selected state enterprises, 1964-5 (¢ thousands) and 1969-70

|  |
| --- |
|  |
| [[18]](#footnote-18)A.   **Ghana Industrial Holding Corporation e**nterprise**s** 1964/65 1969/70 |
|  |
| **State cannery 15.3 548.2** |
| **Paper conversion 2.1 123.3** |
| **Paintwork 117.9 246.3** |
| **State distillery 953.4 857.5** |
| **Electronic products 29.8 100.3** |
| **Metal products 24.4 -67.7** |
| **Fiber bag factory -318.8 109.5** |
| **State boatyards -8.4 90.4** |
| **Brick and till factory -18.7 -31.3** |
| **Takoradi industry -506.6 1039.4** |
| **Sugar products – Asutsuare -903.3 Partly dissolved** |
|  **– Komenda -208.5 Partly dissolved** |
|  |  |
| **B.    Public corporations, etc.** |
|  |  |
| **National Trading Corp. 6514.5 2668.0** |
| **State Farm Corp. -12,732.5 Partly dissolved** |
| **State Fishing Corp. -239.5 Partly dissolved** |
| **State Hotel and Tourist Corp. -137.4 15.5** |
| **Ghana Airways -3573.2 Partly dissolved** |

Sources: Ghana Annual Report and Killick (1978: 217)

Note: Some of the “losses” are not true losses, as they are measured in terms of input/output ratio. New industrial policies necessarily lead to losses at the initial stage of investment. The fiber bag factory, for example, was only in the early stages of investment in 1964. Continued production yielded a profit in 1967. The main problem with Ghana’s industrial policy was the removal of most of the investments made by Nkrumah’s government.

### *1966-1970: Price Stability and Effects on Policy*

The international price of cocoa was lower in 1965 than at any time since the 1930s, at 38 percent of the price in 1958 (Due, 1967: 640; World Bank, 1971: 35). Nkrumah’s government subsidised local cocoa prices between 1961 and 1965 while attempting to diversify away from cocoa (World Bank, 1967: 18). More specifically, the administration paid a fixed price of 269 cedis per ton for local cocoa between May 1959 and September 1965, regardless of world-market prices. Throughout this period, according to the World Bank, “with the exception of 1963/64, the Board […] heavily subsidised producer prices” (*ibid*.: 19). This was done to enlist the support of cocoa farmers in a desperate bid to retain the ruling coalition. However, producer prices were reduced in 1965, when world-market prices reached their lowest point and the government could not maintain the high producer prices. Catherine Boone reported that some farmers could not afford to harvest and transport their cocoa after 1965 due to the reduction in prices (Boone, 2003: 171). It has been suggested that the 1965 producer-price reduction created a suitable climate for the coup of 1966 (Boone, 2003: 171; Robertson, 1987: 58).

However, prices gradually recovered after the 1966 coup of 1966. The new government (the NLC) increased producer prices as soon as international prices rose, which happened only a few months after the coup. This price-trend reversal encouraged the military government to increase producer prices and resume investment in the cocoa sector (World Bank, 1971: 11). By 1967, cocoa prices had almost fully recovered, reaching 83 percent of their 1958 level, the highest since 1959 (see Table 4 for full information on the price recovery). The price of cocoa continued to increase until the end of the decade; world cocoa prices in 1969 were the highest since 1954 (World Bank, 1971: 35). The NLC responded by instituting a yearly increase in producer prices. Local producer prices increased from £75 to £84 per ton immediately after the coup, and rose again to £122 in 1967, with a further increase in 1968. The increase in the prices of cocoa contributed to the narrative of Nkrumah’s failure. Yet the percentage of the world-market prices paid to Ghana’s cocoa producers under the military government was significantly lower than that paid by Nkrumah’s government, even though the prices offered by the NLC were numerically higher (see Table 3). For example, whereas the military government paid 41 percent of its total proceeds from cocoa to local producers in 1968, when the international prices have fully recovered, Nkrumah paid 91 percent in 1964.

|  |  |  |
| --- | --- | --- |
| Table 5. 3 Government and cocoa industry: selected indicators |  |  |
|   |  |  |  |  |  |  |
| Year | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| A | 72 | 78 | 78 | 87 | 91 | 74 | 55 | 55 | 41 | 50 | 37 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| B | 100 | 87 | 77 | 61 | 46 | 37 | 45 | 60 | 59 | 65 | 64 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| C | 100 | 80 | 76 | 68 | 79 | 37 | 34 | 59 | 48 | 62 | 60 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| D | 100 | 70 | 16 | 20 | 18 | 30 | 39 | 26 | 39 | 47 | 41 |
|  |  |  |  |  |  |  |  |  |  |  |  |

Sources: calculated from Killick (1978: 119); World Bank (1986: 56) and World Bank (1970: 3).

A= Payment to cocoa farmers as percentage of total export proceeds from cocoa
B= Index of real producer prices (1960 = 100)
C= Index of real value of total payment to cocoa farmers (1960 = 100)
D= Index of real government expenditure on cocoa (1960 = 100)

The increase in cocoa prices aided the government’s creation of a narrative of the failure of the Nkrumah era, giving the NLC the confidence not only to dismantle the Nkrumah development program but, more importantly, to resume the promotion of cocoa cultivation. By 1967, the NLC had sponsored replanting programs. Most of the cocoa-support programs abandoned in 1961 were reintroduced in 1966/67 (World Bank, 1969: 12; Krassowski, 1974: 120). Although the NLC argued that Ghana’s financial problems during the 1960s were caused by the abandonment of the country’s economic mainstay of cocoa beams in favor of unproductive sectors between 1961 and 1965, the government’s renewed promotion of cocoa is unlikely to have been fruitful without the international price recovery.

The debt created by the Nkrumah development project was increased by the discontinuation of most of the development initiatives. At the end of Nkrumah’s premiership, Ghana’s foreign debt stood at $710 million (World Bank, 1967: 5). The military government collaborated with the IMF with conditions such as a ban on new credit supplies, a spending ceiling and a credit ceiling for the banking system. A retrenchment of “non-productive” sectors commenced. A number of incomplete projects were canceled and completed projects abandoned. In the industrial sector, for example, the new government cancelled all pending projects, stopped construction in half-completed projects and returned several items of industrial equipment. In the transportation industry, a contract for the Black Star shipping line was canceled, six Russian aircraft were returned and some already used aircraft were sold to foreign airlines (World Bank, 1967: 2). In short, the military government almost completely dismantled the Nkrumah development effort.

However, and this is the important point, when the price of cocoa decreased in the late 1960s/early 1970s, the new ruling elites felt threatened, and the same set of officials who had criticised Nkrumah’s development initiatives ceased to invest in cocoa and implemented another diversification and industrialisation scheme due to threat the new price reduction posed to them. Like the post 1961 effort to diversify, the new development scheme was in pursuit of political survival.

### *Price Instability and Second Development Effort*

The NLC held elections in 1969. Kofi A. Busia, a minister in the NLC government and a former leader of the opposition during the Nkrumah years, emerged as Ghana’s new prime minister. Having politically opposed Nkrumah, Busia fled the country in the early 1960s on the grounds that his life was under threat, but returned a month after Nkrumah's government was overthrown by the military. He became chairman of the National Advisory Committee to the NLC in 1966. As Busia had been a fierce critic of Nkrumah’s development efforts in the 1960s (Herbst, 1993: 22), it is puzzling to various writers (Chamlee-Wright, 1977: 81; Frimpong-Ansah, 1991: 103; Aryeetey et al., 2000: 7) that after a year in office the Busia administration “reverted to the expansionist economic policies of the Nkrumah regime” (Herbst, 1993: 22). How should this resumption of Nkrumah-type development policies be explained by a new set of ruling elites?

The resumption of Nkrumah’s diversification plan has been attributed to neo-patrimonialism; that is, an attempt by the new civilian government to secure its political base by using state resources to acquire loyalty under the pretext of development (Acemoglu and Robinson, 2012: 66). Acemoglu and Robinson argued that this was “good politics,” as it enabled Busia to “transfer resources to politically powerful groups, for example in urban areas, who needed to be contented’ (Acemoglu and Robinson, 2012: 66). Writers interpreted Nkrumah’s development policies similarly in the 1960s. The Busia administration has been likened to the Nkrumah regime: they have both been portrayed as corrupted political systems that incurred massive debt and implemented irrelevant development programs designed solely to secure political allegiance (Appiah and Gates, 2010: 519; Nelson, 1990: 272). However, it is more accurate to say that the Busia administration was similar to the Nkrumah regime in that both encountered massive price drops in cocoa and attempted to diversify accordingly (see Killick 1978:100).

Jon Kraus wrote that “the Busia government would undoubtedly have experienced less erosion of its support had it not confronted a sharp 44 percent decline in the average world cocoa prices in 1970, upon which it depended for about 60 percent of its export earnings and a substantial portion of budget revenue. This compelled it to adopt a somewhat ‘austere’ budget,” as well as retaining “the same producer price paid to cocoa farmers,” despite the reduction in real prices (Kraus, 1988: 477). This assessment is accurate, and can also be applied to the Nkrumah regime in 1961, when the government first implemented an austerity budget and then attempted diversification. The erosion of political support, alluded to by Kraus, is similar to what happened to Nkrumah’s administration in 1991 when the austerity budget led to public riot. Busia’s initial spending plan, which included the abolition of export licensing and high prices paid for local cocoa (accompanied by a promise to cocoa producers not to reduce these prices for five years), was predicated on the assumption that cocoa prices would remain favorable after 1969. However, cocoa experienced a price drop of more than 50 percent between 1969 and 1970 (Jean-Claude, 2001: 170). Imports grew by 14 percent between 1969 and 1970, whereas export earnings were about $100 million short of their projected value (Leith, 1974: 148; Leith and Söderling, 2000: 30). This created a balance of payment problem, and foreign-exchange reserves fell to dangerously low levels. Clearly, something more than a timid fiscal policy was necessary to restore a semblance of external balance.

Busia’s government had increased cocoa producer prices from N¢168 per ton in 1968 to N¢299 per ton in 1969, before the fall in world cocoa prices, and promised that no reduction would take place until 1974 at the earliest. Within a year of the new government’s institution, this producer-price commitment had become a burden due to the reduction in international prices. At the beginning of 1970, the Busia administration ceased all planned investment in cocoa and instead focused on diversifying the economy into other areas of production. This is clear from the budgets created in 1970/71 and 1971/72 (see World Bank, 1972). Development expenditure decreased from 140 million cedis at the height of Nkrumah’s development plan in 1965/1966 to 65 million cedis in 1968/1969. However, spending on development increased to 120 million cedis in 1970/1971 and 150 million cedis in 1971/72 (World Bank, 1972: ii). In terms of sectorial allocation, the new government gave a special priority to non-traditional agricultural activities (as demonstrated in its attempt to renovate the Nkrumah abandoned sugar scheme).

As part of the diversification scheme, the government introduced a tax rebate comprising an export bonus and a customs drawback[[19]](#footnote-19) for non-traditional exports in 1970 (World Bank, 1972: 14). The export-bonus scheme was introduced in July 1970. Under the scheme, the Busia administration awarded a bonus of 25 percent of actual export earnings to all non-traditional export products; that is, all products other than cocoa and timber (World Bank, 1972: 14). In addition, Ghana Export Company was set up to locate regional markets for products made in Ghana, especially in neighbouring countries such as Nigeria. The government also directed a department of the Ministry of Trade to promote exports (World Bank, 1972: part 3:18). An initial difference between the Nkrumah development scheme and the Busia development scheme was the level of direct government involvement in productive activities. At first, the Busia administration created incentives for producers without direct involvement. For example, the administration imposed excise duties on beer and cigarettes while creating investment incentives for the revitalisation of the cigarette and beer factories instituted by the Nkrumah government and subsequently abandoned by the NLC (World Bank, 1972: ii). Later, the government instituted a complete ban on certain products, such as poultry and sugar-based confectionery (see World Bank (1972: Annex) for a complete list of the banned products), and took over the abandoned factories created by Nkrumah’s administration to produce and export the banned products. In essence, Busia’s development efforts should be understood not as a fresh development program but as an attempt to revitalise the diversification scheme instituted by Nkrumah and reversed by the NLC. The sugar project offers a useful example, as described below.

The Nkrumah administration built two sugar factories financed by Poland (the Asutsuare factory) and Czechoslovakia (the Komenda factory), with a capacity well above local consumption (World Bank, Nov. 15, 1972: 1). The initiative promoting the exportation of sugar to a regional market was abandoned by the NLC. In 1970, the Busia government applied for a World Bank loan and solicited technical advice on the rehabilitation of the sugar-development scheme (World Bank, Nov. 15, 1972). The funding was obtained specifically to resume the abandoned Nkrumah sugar project. The 1970 rehabilitation scheme involved the establishment of new sugar estates on a massive scale; the importation of expatriate staff (previously expelled by the NLC to train Ghanaian technicians); a credit system for sugar farmers, among other export incentives; and the provision of technical assistance through the government-created corporation Ghana Sugar Estates Limited (World Bank, Nov. 15, 1972: 5-20). The government also imposed a development levy to protect the local sugar industry (World Bank, 1972: 16).

As cocoa prices continued to decline, the Busia administration introduced the National Development Levy, which was intended to raise funds for the development scheme through taxation. The government kept its promise to cocoa planters to maintain producer prices, but other sectors were subjected to massive cuts. As part of the development levy, government subsidies for housing, transport maintenance allowance and other social programs were reduced (World Bank, 1972: ii). The administration also reduced its spending on defense and increased the interest rate on post-office savings deposits from 2.5 percent to 5 percent, and that on savings with commercial banks from 5 to 7.5 percent (World Bank, 1972: ii). According to the World Bank, these measures reflected the government’s effort to obtain domestic funding for the development program. However, the government also solicited loans from foreign banks. Within two years, the Busia administration had amassed a debt close to that accrued by Nkrumah (Akonor, 2006: 27).

To increase the competitiveness of Ghana’s exports, the government sought to correct currency overvaluation by implementing a devaluation program (Akonor, 2006: 27; Bates, 1981: 31). Some economists have argued that devaluation was indeed crucial to the success of the industrial programs, as it reduced the prices of exports to regional countries—Nigeria, for example (Killick, 1978: 303; Aryeetey et al., 2000: 34). Accordingly, the government devalued the currency by 80 percent (Owusa-Baah, 2012: 139), and at the same time instituted a 25 percent rise in public wages to mitigate the effects of the devaluation (Akonor, 2006: 27). The immediate outcome was a steep increase in consumer prices. Non-public sector workers and fixed earners bore the brunt of this increase, creating considerable resentment among the public and thus the conditions for another military takeover. The National Redemption Council, headed by General I. K. Acheampong, took over the government in 1972. The new government’s first set of policies reversed Busia’s devaluation program, rescinded the development levy and terminated the development initiative.

Remarkably, international cocoa prices recovered again after Busia’s deposition. Prices doubled only few months after the new military government took over. This led to the reversal of Busia’s development initiatives and an increase in both cocoa investment and producer prices. The price of cocoa increased from $59 per tonne in 1971 to $143 in 1973 and $216 in 1974, and continued to rise until the end of the 1970s. The commodity crisis of 1973 further increased the price of cocoa. The World Bank criticised the Busia administration in terms similar to its earlier condemnation of Nkrumah, claiming that Busia had attempted to divert the country’s production from the comparatively advantageous cocoa sector (World Bank, 1975). In essence, however, the aborted development attempt was price-induced.

Since 1975, when Ghana joined the EEC trade system, no diversification attempts like those of Busia and Nkrumah have been attempted. A key feature of the EEC trade system in the 1960s (and subsequently) was its scheme of market preferences and price support. The effects of the decline in cocoa prices in 1961 and 1970 would thus have been alleviated if Ghana had been part of the EEC trade system. The price-diversification dynamic identified in this case study was also evident in Guinea and other West African countries outside the EEC trade system. The case of Guinea is addressed later in the study. As explained below, Côte d’Ivoire underwent a different development trajectory in the 1960s, due to its association with the EEC.

This case study demonstrates that diversification and industrialisation are rooted in the pursuit of political survival. Under the administrations of both Nkrumah and Busia, ruling elites turned to diversification in response to a threat to their political survival (which in this chapter is theorised as a reduction in minimum economic performance). The overarching objective of this thesis is to examine the effects of the EU-devised trade system with West African countries with particular reference to the interaction between the trade system and domestic political elites’ quest for survival. The Ghanaian case study (1961-1975) offers a counterfactual illustration of the hypothesised interaction between the EU trade system and political elites’ pursuit for survival. It shows that in the absence of the EEC trade system, ruling elites in West African countries attempted to diversify to secure their survival (which also occurred in other non-EEC affiliated countries). The case study of Côte d’Ivoire below shows how the EEC trade system interacted with Ivorian elites’ quest for political survival to perpetuate a static economic system.

|  |
| --- |
| Table 5. 4 Ghanaian cocoa production: volume, export value and world price per ton, 1954-1970 |
| YEAR Production Export value World price |  |  |  |
|  volume (000 tons) (US$ million) (£ per ton) |  |  |  |
|  . |  |  |  |  |  |  |
| 1954 220 236 467 |  |  |  |
| 1955 237 183 302 |  |  |  |
| 1956 264 143 221 |  |  |  |
| 1957 207 142 247 |  |  |  |
| 1958 255 174 352 |  |  |  |
| 1959 317 193 285 |  |  |  |
| 1960 433 186 222 |  |  |  |
| 1961 410 194 177 |  |  |  |
| 1962 422 187 154 |  |  |  |
| 1963 436 191 197 |  |  |  |
| 1964 557 191 188  |  |  |  |
| 1965 410 145 138 |  |  |  |
| 1966 376 170 193 |  |  |  |
| 1967 415 178 238 |  |  |  |
| 1968 350 182 320 |  |  |  |
| 1969 414 301 415 |  |  |  |
| 1970 400 256 286 |  |  |  |
| 1971 370 201 232 |  |  |  |
| 1972 343 220 270 |  |  |  |
|  |  |  |  |  |  |  |  |

Calculated from (World Bank 1970: 35; Bateman et al 1990: 3.31a; FAOSTART 2016; World Bank 1986).[[20]](#footnote-20)

## Second Case Study: Côte d’Ivoire, 1961-1975; EEC and Extraversion

This part comprises a case study of the development trajectory of Côte d’Ivoire from 1961 to 1975. Whereas ruling elites in Ghana instituted a diversification scheme to provide a new basis for state rule, their counterparts in Côte d’Ivoire used the EEC- devised trade system to preserve the existing level of minimum economic performance. The Yaoundé Convention (1963) provided price support and market preferences for existing export systems and thus deflated the threat to ruling elites. The argument of this case study is that ruling elites in Côte d’Ivoire used the Yaoundé Convention to ensure their own political survival. This is perhaps unsurprising, given that Côte d’Ivoire’s political elites before 1961 emerged from and were embedded in a political coalition that involved the plantation economy of cocoa and coffee. It is appropriate here to show how this came about before demonstrating the interaction between the EEC trade system and ruling elites’ strategy for survival.

To start with, when the colonial system decided to introduce the plantation economy in 1946, which I already touched on from the introduction, numerous problems arose. One problem was population scarcity, leading to a shortage of labour available in the fecund, forested south to cultivate the selected crops. The solution was an open migration policy. According to Jean-Pierre Dozon, the colonial authorities decided to encourage and even force northerners who lived in a savannah region unpropitious for quick exploitation to migrate in large numbers towards the south to aid the plantation economy (McGovern 2001:77). The second problem was the uneven regional distribution caused by the cultivation of forestland. The migrants found it difficult to secure land from local chiefs in parts of the country propitious for the cultivation of cocoa and coffee. The colonial system proceeded to undermine the primacy of local authorities in the western forest area. The state asserted itself as the owner of all vacant land (Losch 1994:25). Clearing and cultivating an unoccupied piece of land conferred the right to ownership. But the authorities never undermined the primacy of the native control of land tenure in northern or other regions of Côte d’Ivoire, which were unsuitable for the cultivation of cocoa and coffee (Boone 2007:73). Both the system of free immigration and the open land policy created resentment, not least among the indigenous ethnic inhabitants of the forestland.

Political power was concentrated in the groups that benefited from the plantation economy, namely the Baule and coffee planters (from the south east) and northerns/ foreigners (who migrated to the South). The two groups held the political power by creating a political party supported by the French colonial system. The ruling party, Democratic Party of Côte d’Ivoire (PDCI), was an outgrowth of a cocoa planter organisation originally formed as an interest group for cocoa and coffee planters. The founder and president of the PDCI, Felix Houphouet-Boigny, who later became the first president of Côte d’Ivoire from independence to his death in 1993, own the biggest cocoa and coffee farms in the entire country. He is a Baule – the ethnic group that embraced cocoa planting in Côte d’Ivoire. The Baule were not populated enough to control a national political party hence the alliance with northerners (and foreigners) who benefited from the open land policy and migration policy. As all political systems contain structures of inclusion and exclusion, the excluded groups from the political system was those excluded from the plantation economy. Ruth Marshall-Fratani observes of the PDCI that “autochthonous western planters and administrative heads were unrepresented, the majority of the adherents were Baule and Dioula” (2006 16). Dioula is a term used to group tribes from the northern part of the country, and their overflow in the countries bordering northern Côte d’Ivoire who also served as migrants. Ethnic groups from the western part shared common resentment towards policies that denied them the right to their ancestral land.

The resistance of the We, Bete and Dan people indigenous to western Côte d’Ivoire, mostly resisting to the encroachment of their accentual land, led to their portrayal as lazy and irredeemably backward, whereas the migrants—the Baule and Dioula people—were portrayed as industrious and civilising (McGovern 2011:77). Therefore, an implicit ethnic favoritism was present in Côte d’Ivoire’s economic and political systems. The excluded groups formed their own political movements, such as the Union des Originaires des Six Cercles de l’Ouest de Côte d'Ivoire, but were unable to gain the followership needed to challenge the PDCI, primarily because the latter was aligned with the French colonial system (Cohen 1974:23). The country was therefore a *de facto* one party state at the point of independence, but with opposition with grievance over land and immigration policies. A note written by a representative of the Agni tribe (one of the tribes living in forestland propitious for the cultivation of cocoa and coffee) in 1957 provides a nuanced account of the situation: “the colonial administrators favored the disorderly settlement of the anybody, settled the forest disputes in favor of the strangers under the sole justification of the effective exploitation […]. The animosity, the irritation, came that way, sometimes causing pitched fights, sometimes the burning down of plantations, maintaining permanently an atmosphere of hatred towards the stranger, who benefited from the support of the administration” (quoted in Soro and Kouame 2004:15).

The preceding remarks situate the ruling elites in Côte d’Ivoire at the time of independence, by showing how political power was based on a coalition of cocoa and coffee planters. A crisis in cocoa and coffee would have been devastating to the ruling elites beyond the provision of minimum economic performance and altered the political system. Before 1961, Côte d’Ivoire was protected against commodity-price deflation as part of France’s late colonial policy (Campbell, 1978: 77). This started in 1955 when France created the *Caisse de stabilisation des prix,* a price-stabilisation scheme, to subsidise Côte d’Ivoire’s main exports (World Bank, 1986: 50). The price-stabilisation system was not imposed on the ruling elites; on the contrary, it helped to consolidate and preserve local political power. At the time of the creation of the EEC in 1958, raw materials exported from Côte d’Ivoire to France were priced between 16 and 60 percent higher than world-market prices, depending on the product (Marcussen and Torp, 1982: 50).

Under the trade system introduced in 1958, the EEC took over the burden of colonial trade and aid from France (Marcussen and Torp, 1982: 50). To organise its trade provisions, the EEC borrowed from France’s recent colonial trade system (Barnes, 1967: 9-10). In other words, the EEC took over France’s price stability and preferential system in exchange for a market in the colonies (Zartman, 1972: 18). The take-over was announced in 1957/58, but the transitional arrangements were not yet complete when Côte d’Ivoire gained its independence in 1960. As the EEC trade system was established without the consent of the colonies, independence in 1960 amounted to the automatic annulment of the trade system. The recrudescence of the EEC trade system (in the Yaoundé Convention) was slated to occur in 1963. In the meantime, Ivorian coffee exports—formerly subsidised by France and subsequently the EEC—were exposed to world-market prices. In addition, the commodity crisis of 1961 affected Côte d’Ivoire’s second main export crop. This provided the context for a temporary trade agreement in 1961 between France and Côte d’Ivoire. France’s 1961 protocol with Côte d’Ivoire (or the Cooperation Agreement) was an interim trade agreement in place between the annulment of Part IV of the Rome Treaty and the re-activation of the EEC trade system in 1963.

The 1961 agreement maintained the colonial trade system; that is, France offered to pay more for Ivorian raw materials, while in exchange Côte d’Ivoire was required to guarantee the exclusive importation of manufacturing products from France and to place a 35 percent tariff on non-French imports (Campbell, 1978: 82; Alschuler, 1988: 7; Lawson, 1975: 207). As a result, the 1961 commodity crisis did not affect the Ivorian production system. Although France was not the only destination of Côte d’Ivoire’s exports, the market was created and preserved by a system of subsidisation wherein France preferentially imported Côte d’Ivoire’s main products and provided guaranteed export prices (Ravenhill, 1985: 49). According to the World Bank (1963: 10), exports to non-French markets were also indirectly subsidised under the 1961 agreement.[[21]](#footnote-21) This trade monopoly was extended to the entire region of French West Africa, and similar cooperation agreements were signed with all French West African countries, with the exception of Guinea (Campbell, 1978: 84).

Among the main results of the 1961 Cooperation Agreement were the persistence of production systems that were broadly uncompetitive in the world market, and an increased market concentration in France. In the crop year of 1962-1963, the second year of the Cooperation Agreement, France reduced the price offered for Ivorian coffee from 3.20 to 2.90 French francs per kg (c.i.f. French ports). The new price was still more than 45 percent higher than world-market prices. According to the World Bank (1963: 10), the world-market price of coffee decreased by nearly 50 percent between 1956 and 1962. At the same time, Côte d’Ivoire’s coffee-producing land and coffee production increased to 500,000 hectares and 150,000 tons, respectively, in 1962, from 300,000 hectares and 85,000 tons in 1956. This was due to the disconnection between world-market prices and local production.

At the end of the 1961 Cooperation Agreement (in 1963), Côte d’Ivoire was more closely tied to France than it had been in 1960. The Cooperation Agreement increased France’s import monopoly from 65 percent in 1960 to 75 percent at the end of 1963 (Tuinder, 1978: 345). The importance of the French market also increased as a result of the declining world-market prices of cocoa and coffee in the early 1960s. As the following pages will show, the first EEC trade system (the Yaoundé Convention) was simply an extension of the French system of colonial monopoly (which was preserved by the 1961 Cooperation Agreement) to other EEC members. At the end of the Yaoundé trade experiment in 1975, the most significant change experienced by Côte d’Ivoire in terms of export destination and import source was the dilution of the French market by other EEC markets. In essence, Côte d’Ivoire was more oriented toward the EEC in 1975 than toward France at the end of the colonial system.

### *EEC Trade System: Yaoundé Convention*

The replacement of the 1961 Cooperation Agreement with the Yaoundé Convention in 1963 marked the beginning of the EEC’s trade experiment with Côte d’Ivoire (and the other former French colonies, by extension). This trade system was created not on a *tabula rasa* but as a replacement for the French colonial trade system. In brief, the Yaoundé Convention was a trade arrangement between the EEC and 18 ex-colonies known as the Association of African States, Madagascar and Mauritius (AASM) or the Associated States, of which Côte d’Ivoire was a member. The Convention instituted a free-trade system (in the form of gradual liberalisation) in language only; in practice, it established a reciprocal preferential system that protected Ivorian raw materials in the EEC market and EEC industrial products in the Ivorian market. The tariff structure created by the Yaoundé trade systems in Côte d’Ivoire was fairly simple: imported products were categorised as either EEC or non-EEC imports, with preferential treatment given to the former (Tuinder, 1978: 91).

The Yaoundé trade system prevented Côte d’Ivoire from placing quantitative (or qualitative) restrictions on imports originating from the EEC, and mandated a maximum transitional tariff of 0-30 percent. Non-EEC products were subject to higher tariffs, a variety of quotas and a renewable yearly import license. In return, the preferential margins enjoyed by Côte d’Ivoire in the French market before 1958 were extended to the markets of the other EEC countries (Ravenhill, 1985: 59). That is, France’s colonial preferential margins were adopted as part of the Yaoundé Convention. These margins were set at 20 percent for bananas, 9 percent for palm oil and 16 percent for coffee. The margin for cocoa was initially 25 percent, but decreased to 6 percent before the end of the decade (*ibid.*). As a result, Côte d’Ivoire’s raw materials were more competitive than those of its neighboring countries (notably Nigeria and Ghana, in the case of cocoa) in the entire EEC market (Tuinder, 1978: 99). The immediate effect of this system was a trade shift in the source of the EEC’s imported raw materials (cocoa, for example) from less developed countries towards the Yaoundé associates. Ghana, for example, lost part of its European market to Côte d’Ivoire.

In terms of French direct price support, an annex to the Yaoundé Convention provided for the specific allocation of aid to certain individual states according to the benefits they received from French price stability. This was seen as a gradual eradication of the price support provided in the 1961 Cooperation Agreement (and the preceding late colonial years). With a timetable outlining the dates on which relevant products were to be introduced to competitive markets, $230 million was disbursed to stabilise the prices of vital raw materials (Barnes, 1967: 18). The funds were to be given to the governments of the AASM, who were in turn required to set up systems to administer them. The Ivorian domestic counterpart was the 1964 creation of Price Stability Funds for cocoa and coffee (Alschuler, 1988: 72).

However, the reverse preferences of the Yaoundé Convention were safeguarded by Article 3.2, which permitted Côte d’Ivoire to retain or introduce custom duties or quantitative restrictions on goods originating from the EEC for revenue or developmental needs. Attempts to use this clause required approval from the EEC. As John Ravenhill noted, the Community’s interpretation of the escape clause was very strict. In 1964-65, Côte d’Ivoire requested import restrictions on paints, matches and detergent from the Community. None of these requests were approved. The next year, Côte d’Ivoire requested approval for other imports restrictions, and none were approved (Ravenhill 1985: 63). Therefore, the Yaoundé Convention followed the pattern of the 1961 Cooperation Agreement, and of colonial trade before it, both of which preserved the PDCI and the regime of Houphouet-Boigny. The great relationship that existed between the ruling party of PDCI and France can be understood from this perspective. But it is important to ask how France benefited from the trade system at Côte d’Ivoire’s expense. This requires an understanding of the French colonial trade system.

In the post–World War II era, some French export sectors that were not competitive in the global market sold their products in the colonial market at non-competitive prices (Fieldhouse, 1986: 15; Kahler, 1984: 273; Boone, 1992: 69; Alschuler, 1988: 97; Marcussen and Torp, 1982: 49). These products included textiles, beet sugar, petroleum products, tyres, shoes and certain types of machinery and tools. D. K. Fieldhouse calculated that by 1958, the colonies provided a market for 85.5 percent of France’s sugar exports, 95 percent of its vegetable oil, 83.6 percent of its cotton textile products, 78.8 percent of its clothing, 92.2 percent of its soap, etc. (Fieldhouse, 1986: 15). Cement, metal and engineering products, chemical products and automobiles also found markets in the colonies. Marcussen and Torp (1982: 50) argued that the attempt to safeguard the protected market in the colonies gave rise to the price-support system in the late colonial years. France used the price-support scheme not only to obtain the support of local elites, as Campbell (1978: 81) argued, but also to make itself indispensible in the event of independence. After independence, therefore, the 1961 Cooperation Agreement was inevitable due to the former colonies’ economic dependence on market concentration and price support. The continuation of France’s price-support scheme was conditional on the compulsory importation of its products, as outlined in the 1961 agreement.

Marcussen and Torp (1982: 50) also argued that France constructed the EEC trade system with the colonies in 1958 to diffuse the costs associated with the price-support scheme and capitalise on its gains. At the time of the Rome Treaty, and in the Yaoundé Convention, West Germany argued for a different trade system: one that would not increase the cost to the country of obtaining raw materials (Zartman, 1972: 24). However, as William Zartman argued, “France offered to share the exclusiveness of her colonial market and investment area if the other members will agree to help meet the Associates market and capital needs that France could no longer handle” (*ibid*.: 12). The result was Part IV of the Rome Treaty, which was extended in the Yaoundé Convention (Bartels, 2007: 722). In terms of the distribution of costs and benefits among the EEC countries, Côte d’Ivoire’s export destinations during the Yaoundé Convention (i.e. cost to the EEC countries) was more rapidly diversified than its import sources (i.e. market gain for the EEC countries). (See table below for more information on direction of trade.) France continued to monopolise Côte d’Ivoire’s import sources (among the EEC countries) due to its colonial history and the familiarity of French firms with the colonial market (Tuinder, 1978: 72). France thus gained at the expense of the other EEC countries.

These gains also came at the expense of Ivorian economic and political development but to the benefit of the ruling regime in Côte d’Ivoire.

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### *Economic Impact of Yaoundé Association*

The country grew by an average of 7.4 percent per annum throughout the years of the Yaoundé Convention. Despite its lack of mining or extractive activities, it became one of the most successful countries in sub-Saharan Africa in terms of an isolated index of growth. This development was a continuation of the growth that began—albeit subsidised by France—during the late colonial period. The country’s growth rate between 1950 and 1960 was 11-12 percent per annum (Amin, 1973). By 1975, cocoa, coffee and timber were the pillars of the economy, with export volumes four, five and thirty times greater than their 1950 levels, respectively (Tuinder, 1978: 3). A minor diversification into palm oil was prompted by the EEC’s promotion of palm oil. Per-capita income, which was around $70 in 1950, increased to $145 at independence and $450 in 1974.[[22]](#footnote-22) However, this exceptional growth concealed resulting underlying structural weaknesses. The main effect of the Yaoundé Convention was to provide a protected and expanded market for Ivorian colonial products at the expense of change.

The guaranteed price offered by France for cocoa in 1962/63 was a third higher than world-market prices (World Bank, 1967: 36). This allowed the government to subsidise continued cocoa production regardless of the world-market crisis. In 1961, Côte d’Ivoire offered a producer price of 94,921 CFA/MT, which is equivalent to 275.77 Ghanaian cedis,[[23]](#footnote-23) while Ghana offered 220.46 cedis to its producers. The figure was the same for the two countries in 1962. In 1965, Ghana offered its cocoa producers 151.55 Ghanaian cedis, while the neighboring Côte d’Ivoire offered its producers 519.04 Ghanaian cedis. The producer price in Côte d’Ivoire was at least twice that in Ghana by the end of the decade. As Ales Bulir argued, the producer-price differential between Ghana and Côte d’Ivoire created an incentive for the smuggling of cocoa from Ghana and Côte d’Ivoire (Bulir, 1998: 4). This price differential has been explained as the result of excessive taxation on the part of the Ghanaian government (Bulir, 1998: 4; Radetzki, 2008). However, this explanation is inaccurate, because the government of Ghana subsidised cocoa producers in the early 1960s up to 1965 (World Bank, 1967: 18). The introduction of the Ghanaian cedi in 1965 (as, in essence, a devaluation of the former Ghanaian pound) may also have contributed to the price differential. A more significant factor, however, was the price-stabilisation scheme established under the Yaoundé Convention.

In 1965, for example, the price of cocoa was on average £138 per metric ton (MT) in London and $374.71 in New York. This amounted to 294.94 Ghanaian cedis.[[24]](#footnote-24) The producer price in Ghana was on average 181.88 Ghanaian cedis, which amounted to 62 percent of the world-market price, excluding transportation and overhead costs. With the inclusion of transportation and overhead costs, the government paid 91 percent of its cocoa earnings to producers in 1955 (see Killick, 1978: 119). However, Côte d’Ivoire’s government paid producer prices almost twice as high as those in Ghana.

Table 5. 5 Producer prices in Ghana and Côte d’Ivoire

Average cocoa producer price (CEDIS/MT)
Year Ghana Côte d’Ivoire
1966 151.56 519.04
1967 197.56 472.77
1968 247.91 498.96
1969 278.55 523.78
1970 293.80 485.96
1971 300.47 530.32
1972 360.92 538.60

Source: May (1985: 129)

This huge gap in producer prices cannot be attributed simply to a difference in taxation policy. The government of Côte d’Ivoire deliberately attempted to encourage cocoa and discourage coffee production in the late 1960s, due to limitations on producing coffee after the International Coffee Agreement (World Bank, 1967: 14). The coffee agreement allocated yearly production quotas and markets to coffee-producing countries. Therefore, the government decided to reduce the cultivation of coffee and used price incentives to promote cocoa beans.

The Yaoundé Convention not only provided a protected market for Ivorian cocoa beans, but also continued the French price-support scheme begun in 1961 (World Bank, 1967: 12). The EEC disbursed yearly payments for price support for Ivorian cocoa, and protected the product with a 9-percent tariff wall. This concentrated the Ivorian market in the EEC countries. At the end of the Yaoundé Convention, for example, almost 75 percent of the country’s cocoa beans were sold in the common market, in contrast with its 40 percent market concentration in 1960. This was the case for all of the Yaoundé-associated countries. Ghanaian cocoa planters, for example, were also smuggling harvested products into Togo, another neighboring country that offered higher producer prices due to EEC price support (Parfitt and Riley, 1989: 110).

The main effect of the Yaoundé Convention was the insulation of the Ivorian economic system from any systemic vulnerability and therefore guarantees the position of the political elites. This took the form of (1) The dilution of the French monopoly by markets in the other EEC countries (direction of trade). (2) The activation of production systems on the preferential list (or products supported by the EEC’s aid program due to their presence in other West Africa countries). In 1975, the basic division of labour mapped out in the French monopoly of the late colonial years and the Cooperation Agreement was still in place. The only difference was the replacement of France by the EC. Furthermore, apart from the insulation of the Ivorian economy from the vagaries of world market, (3) another effect of the trade system was industrial contradictions. According to the World Bank, the government of Côte d’Ivoire was so eager to develop the region’s industry (in certain sectors where the government held control; mainly processing of raw material –coffee and cotton) that it implemented policies granting local industries extensive advantages (World Bank, 1978: 48). The implementation of both industrial policies (by which is meant the effort to establish some processing) and the Yaoundé Convention created a contradiction that led to a balance of payment crisis. But the trade system fully insulated ruling elites from any threat.

#### Direction of Trade

At independence, the region’s trade was oriented largely towards France. The countries surrounding Côte d’Ivoire with a similar economic structure were also oriented towards France (or Britain, in the case of Ghana). One effect of the 1963 trade system was to reduce the proportion of exports to France and increase exportation to other EEC countries. This process was gradual. At the end of the trade experiment, exportation to France had been halved, while exportation to other EEC members had more than doubled.

Table 5. 6. Direction of trade, 1960-1975. Export distribution per products

**Cocoa beans**

Country 1960 1965 1970 1974

France 40.2 24.8 20.3 12.2

EEC (EF) 26.5 44.0 61.7 61.5

USA 21.8 21.1 15.3 8.7

Others 11.5 10.1 2.7 17.6

Total 100.0 100.0 100.0 100.0

**Timber**

Country 1960 1965 1970 1974

France 51.7 33.3 20.0 19.2

EEC (EF) 37.9 44.0 52.8 46.2

USA 3.5 7.3 4.3 2.5

Spain ... 4.7 10.2 13.0

Others 6.9 10.7 12.7 18.4

Total 100.0 100.0 100.0 100.0

**Coffee beans**

Country 1960 1965 1970 1974

France 54.3 43.6 43.1 37.8

EEC (EF) 8.0 9.7 7.2 23.3

USA 17.5 27.0 40.5 16.8

N. Africa (FS) 17.5 6.9 1.1 8.6

Japan …. 1.2 3.7 2.2

Others 2.7 11.6 4.4 11.3

Total 100.0 100 .0 100.0 100.0

…. = zero or negligible.

EEC (EF: excluding France) = West Germany, Belgium, Italy, Luxembourg and the Netherlands. This designation does not include the United Kingdom, Denmark or Ireland, even though these countries became members of the EEC before the end of the period under study.

N. Africa (FS) = French-speaking North African countries

Source: Tuinder (1978: 344-45)

Table 5. 7. Distribution of total exports, 1960-1975

Country 1960 1965 1970 1974

France 51 38 33 26
EEC (EF) 15 23 30 36

USA 14 16 19 7

O.D.C 4 9 9 12

C.F.A.O 6 4 4 7

Other (FZ) 5 5 2 5

Others 5 5 3 7

Total 100 100 100 100

EEC (EF: excluding France) = West Germany, Belgium, Italy, Luxembourg and the Netherlands. This designation does not include the United Kingdom, Denmark or Ireland, even though these countries became members of the EEC before the end of the period under study.

CFAO = *Communauté Économique de L’Afrique de l’Ouest*

Other (FZ) = other countries in the Franc Zone

ODC = other developing countries

N. Africa (FS) = French-speaking North African countries; Algeria, Morocco and Tunisia. Source: Tuinder (1978: 344-45)

By the end of the Yaoundé experiment, the EEC (excluding France) had become the dominant market distributor of cocoa and timber in Côte d’Ivoire. The EEC (including France) had absorbed more than 73 percent of Ivorian cocoa by the end of this period, compared with France’s 40-percent market concentration in the late colonial years. The distribution of timber showed a similar trend. In terms of market concentration, Côte d’Ivoire’s exports were more closely affiliated with the EEC at the end of the Yaoundé experiment than with France at the end of the colonial experiment—especially as cocoa had become Côte d’Ivoire’s main exported product by 1975.

With a 40.5-percent market concentration in the United States, coffee had a more diversified market than any other product in 1970 (Tuinder, 1978: 344). The market was also diversified in the east, as Japan absorbed 8.6 percent of Côte d’Ivoire’s coffee in 1973 and 3.7 percent in 1970, mainly due to the exclusion of coffee from the EEC trade system (*ibid*.). In 1964, the production figures and market allocation for coffee came under the International Coffee Agreement, an agreement made between producing and consuming countries to prevent price drops by assigning a quota to all producing countries. The agreement allocated yearly production quotas and markets to coffee-producing countries. In 1965, for example, coffee production averaged 222,000 tons, of which 140,000 tons were shipped under the International Agreement while the rest was sold illegally through Liberia (World Bank, 1967: 14). It soon became difficult for the government to market “illegal” coffee. For example, the disposal of almost 100,000 tons of coffee in 1968 due to over-production led the government to curb coffee production and expand its trade in cocoa.

The EEC also cut into the French monopoly on imports, but the pattern was less severe than that for exports. The value of imports from the EEC (excluding France) increased from 3.2 billion CFAF in 1960 to 40.4 billion CFAF in 1974. The latter was half of the value of imports from France, namely 89.4 billion CFAF in 1974.

Table 5. 8 Sources and value of imports in billion CFAF, 1960-74

Country 1960 1965 1970 1974

France 20.9 35.9 49.8 89.4

EEC (EF) 3.2 7.8 24.2 40.4

CEAO 1.3 1.9 3.3 4.8

Other (FZ) 1.7 3.4 7.1 8.6

USA 1.1 3.2 5.8 14.6

…. . = zero or negligible.

EEC (EF) = West Germany, Belgium, Italy, Luxembourg and the Netherlands. The United Kingdom, Denmark and Ireland are not included, despite becoming members of EEC before the end of the period under study.

Other (FZ) = other Franc Zone countries. Source: Tuinder (1978: 344-45)

France supplied 64.5 percent of Côte d’Ivoire’s imports in the 1960s (increasing after 1963 due to the compulsory import clause in the 1961 Cooperation Agreement), but only 46.2 percent in 1970. Meanwhile, the percentage of imports from the EEC (excluding France) increased from 9.9 percent in 1960 to 22.5 per cent in 1970. France’s share reduced further, reaching 38.5 percent in 1974, while that of the EEC continued to increase at a slower rate.

The ongoing predominance of French industrial products in the Ivorian market was due to the presence of numerous French industries and professionals in Côte d’Ivoire. From independence to the end of the Yaoundé years, the number of French industries and professionals more than doubled. The European (mostly French) population of Côte d’Ivoire increased from 15,000 at independence in 1960 to 50,000 at the time of the first census in 1975 (Tuinder, 1978: 124). This increase in the European population and the number of foreign-owned firms was the combined result of the Yaoundé Convention and the government’s new development strategy (see Section 3 for a summary of the problems with the government’s industrial policy). Most ISI companies in Côte d’Ivoire at this time were subsidiaries of French companies. According to the World Bank, this explains the continued dominance of French imports. The other EEC countries increased their sales of equipment through EC aid related imports (*ibid*.: 103).

#### Export Composition—EEC-induced Diversification

Product diversification had taken place to a limited degree by the end of the period covered by the Yaoundé Convention. However, the areas diversified were those promoted by the EEC through trade preferences and funding, thereby strengthening the division of labour and dependency on the EEC. Unprocessed coffee, cocoa and timber, which represented 87 percent of Côte d’Ivoire’s commodity exports in 1960, accounted for 62 percent in 1974 (Tuinder, 1978: 106). At the end of the period covered by the Yaoundé Convention, Côte d’Ivoire had a fourth main product: palm oil. In 1969, palm oil contributed 0.1 billion CFAF to the country’s export earnings. By 1975, palm oil was the fourth most important export, bringing in 10.5 billion CFAF (minus petroleum products) (Tuinder 1978: 339). The decision to pursue cultivation of palm oil was made in 1967, following an update to the government’s ten-year development program. The new version of the development program focused on cocoa expansion (due to the limitations placed on coffee production by the International Coffee Agreement) and palm oil. Forty percent of the total public investment in the updated development program was allocated to palm oil. There were two main contextual reasons for this decision to diversify into palm oil. First, palm oil received a generous tariff preference (9 percent) in the EEC market (Tuinder, 1987: 101); second, the EEC deliberately promoted palm-oil production in the AASM (World Bank, 1969: 14). Just as cocoa and coffee was the main product of Côte d’Ivoire’s at the point of independence; Palm oil was the main export product of other West African countries. The blanket protection of theses products gave ruling elites an opportunity to select diversification into other protected EEC products.

The EEC was primarily responsible for funding the extended development program in Côte d’Ivoire (and other countries in the AASM). The government of Côte d’Ivoire established an autonomous agency, the *Société pour le Développement et l’Exploitation du Palmier à Huile*, to develop the region’s plantations to support palm-oil production. This agency was largely financed by EDFs on a grant basis. The agency originally aimed to achieve 44,000 ha by 1971, of which 36,700 ha would be financed by an European Development Funds (World Bank, 1969: 2). In 1969, the government took out a World Bank loan of 186 million CFAF (the 1969 equivalent of US$29.1 million) to further finance the extension of the palm-oil development program. Palm oil became the government’s largest investment in the 1960s (Hermann, 1981: 120).

There is evidence to suggest that the EEC promoted palm oil in response to a precipitous increase in demand for the product in the 1960s, creating concerns about supply (Martin, 2003: 201). By the end of the Yaoundé Convention in 1975, the European Community had consumed more than 85 percent of the OECD’s entire imports of palm oil, and more than 85.1 percent of the Community’s imports had been supplied by the AASM (Ravenhill, 1985: 25).

The preceding analysis has shown that the Yaoundé Convention protected the contemporary production system in Côte d’Ivoire and thus secured the position of local ruling elites. As a result, Côte d’Ivoire experienced no significant political crisis or challenge from the excluded group in the political settlement, which cannot be said of Ghana and Nigeria. The interaction between the Yaoundé Convention and political elites’ quest for survival led to political and economic stability at the cost of change or diversification during the decade-long commodity crisis. As well as securing an expanded market for traditional exports and investing in new EEC-financed sectors, Côte d’Ivoire’s government sought to germinate processing industries—regardless of the closed policy space. This led to a serious inconsistency between elites’ industrial policies and the Yaoundé provisions. The following account shows that the Yaoundé Convention not only preserved the position of ruling elites, but served as a neo-colonial tool for economic dominance.

#### Yaoundé and Industrial-Policy Contradictions

Although all through Yaoundé convention Côte d’Ivoire concentrated on existing colonial export, there was an attempt by the government to institute processing industries within the existing economic system: for cocoa, coffee and textile for. The inconsistencies between the government’s local industrial policies, which was directed at establishing processing capacity for certain raw material, and the Yaoundé Convention first became evident in 1967, when the Ivorian Ministry of Planning calculated that its industrial policy was economically benefiting the EEC (mostly France) but incurring a loss of income to the state (World Bank, Part 4, 1970: 17). Later, in 1968, the *Banque Ivoirienne de Développment Industriel* identified the same need to redirect the region’s industrial strategy (Campbell, 1978: 99).

The Yaoundé Convention required Côte d’Ivoire to give preferential treatment to EEC industrial imports, which restricted the government’s strategy-making; it could not impose quantitative restrictions on EEC imports, and only a restrictive tariff could be applied. To circumvent these requirements, Côte d’Ivoire granted extensive privileges to domestic processors of raw material to render the EEC’s imports less advantageous in clothing for example. An unmodified tariff structure was provided for the import-replacement industries, with an average effective-protection rate of 1.42 (Tuinder, 1978: 48). Effective protection is the amount of protection necessary to give local industries an advantage over imported products; the effective rate of protection given to an import-replacing industry or firm is equivalent to its value added divided by the net loss to customer revenue resulting from its existence. An effective-protection rate of 1.42 translates to a 42-percent incentive, according to World Bank calculations, with protective tariffs varying by industry.

At the same time as according domestic privileges, the Ivorian government made no objection to the establishment of EEC firm subsidiaries in Côte d’Ivoire, this led to the contradiction. Title III of the Yaoundé Convention granted all EEC firms the right to establishment in the former colonies. The first and most obvious problem lay in the establishment of “light” industries in Côte d’Ivoire to exploit existing privileges and market advantages. These industries (mostly French-owned) claimed all of the market advantages and repatriated all of the resulting profits. Observing this, the Ivorian Ministry of Planning concluded that the government’s industrial policy was economically benefiting the EEC (primarily France) but incurring a loss of income to the state extra prices local consumers were required to pay by the virtue of protection (World Bank, Part 4, 1970: 17).

Campbell (1975) clearly captured the contradiction between the Yaoundé Convention and the government’s industrial policy in her study of a single sector: the textile industry. After receiving minor textile protection rights from the EEC, the government of Côte d’Ivoire adopted a quota and an inflated tariff system—*La Valeur Mercuriale* (VM)—to protect the local market for developing textile producers. The most strict protective measures were directed against products originating from the EEC, due to their advantages as accorded by the Convention. Côte d’Ivoire used the VM tariff to calculate the value of imported textile products according to the production costs of the local competing textile industry, thereby passing on higher prices to local consumers during the learning period. This effective protection, as observed by Campbell (1975: 48), provided local textile producers with “a complete monopoly of the Ivorian market.” Fortunately, French textiles were grossly uncompetitive in the world market at this stage (see Basset, 2001: Chapter 5).[[25]](#footnote-25)

After instituting these protective measures—that is, from 1964 onward—the government offered attractive and stable prices to producers of cotton to boost local cotton production (Basset, 2001: 105). Through the activities of *La Compagnie Française pour le Développement des Fibres Textiles* (CFDT), a cotton-promotion agency, the government shared seed with peasants, employed local chiefs to promote the crop within their respective villages of influence, and sent out agents to promote the cultivation of cotton in northern Côte d’Ivoire. According to Basset, the massive promotion of cotton production reflected the government’s aim to “[supply] cotton fiber to [the] national cotton industry” (*ibid.*: 113). A traditional weaving industry had existed in Côte d’Ivoire even before the advent of the French colonial system and cotton production was part of the French colonial policy in the Northern part of the country. The post-independent textile industrial program was calculated to revitalise the local weaving industry. One reason for the interest in cotton/textiles was to bridge the income gap between southerners (cultivating cocoa and coffee) and northerners (where cotton was cultivated). The number of cotton growers increased rapidly; between 1963 and 1965, the area of land used for cotton cultivation increased fivefold, from 2,518 ha to 11,768 ha. By 1968, as much as 48,000 ha of Ivorian land was used to produce cotton, with 68,000 planters in the northern part of the country (*ibid*.: 112).

In line with the general policy of targeting local textile for development, the government of Côte d’Ivoire also permitted the duty-free importation of raw materials and semi-finished goods for local weavers, in addition to providing extensive tax advantages. Weaving tools and other necessary equipment could be imported completely duty-free. However, the Yaoundé Convention altered the meaning of “local industry,” as Title III of the Convention provided for the free movement of EEC capital agencies, branches and subsidiaries. French colonial trading houses, which originally supplied the colonial market with finished textile products, took advantage of the protected market by setting up “local” production units. To benefit from the duty-free importation of semi-finished products and the related tax advantages, these firms limited their activities to the finishing stages of textile production, namely the printing and dying of semi-finished imports that were already worth more than 50 percent of their final value (Campbell, 1975: 49). As a result, locally produced cloth became grossly uncompetitive, despite being produced under complete protection.

Campbell (1975) calculated that at one point, local cloth produced under complete effective protection cost an average of 86 francs per meter, and the equivalent imports from the Far East cost 55 to 57 francs per meter; however, the effective tariff duties of 77 francs per meter (calculated according to the VM tariffs and local advantages) made imports from the Far East uncompetitive. French local firms importing semi-finished products took over the market, used the concessions on export taxes to create an export market, and started to supply cloth to Côte d’Ivoire’s neighboring countries. Although consumers paid extra for the finished cloth, due to the extra costs associated with protection, there was little integration or firm linkage, and the profits were repatriated back to France.

The case of the textile industry is characteristic of Côte d’Ivoire’s entire sector after the institution of the Yaoundé trade convention. By 1966, Côte d’Ivoire’s industries—almost exclusively in the hands of foreigners and heavily dependent on internal demand/protected markets—had enjoyed an average annual growth of 12 percent since the Yaoundé Convention (World Bank, 1967:6). From 1965 to 1970, the average growth rate of the country’s ISI industries (controlled by France) was 20.7 percent. This growth was accompanied by a sharp increase in the net factor income transferred abroad, which more than doubled (increasing from about 6 billion CFAF in 1960 to 15 billion CFAF in 1965). By 1967, the net transfer of profits abroad largely exceeded the net inflow of foreign and domestic investment (Alschuler, 1988: 84), which in turn led to a foreign-capital shortage.

The profits repatriated from the ISI industries became by far the largest drain on foreign exchange, outstripping the net inflow of investment from the mid-1960s to the end of the Yaoundé years. By 1973, these profits represented 14 percent of Côte d’Ivoire’s total commodity-export revenue; 6 billion CFAF was repatriated in 1960 (World Bank, 1967: 7), compared with 40 billion per year between 1970 and 1974 (World Bank, 1978: 22). This high level of decapitalization led to foreign-exchange shortages and thus an increase in government borrowing, which in turn increased debt servicing. The region’s debt grew as decapitalization increased: the percentage of export earnings made up by debt service payments increased from 7.4 percent in 1970 to 10.9 percent in 1975 (Tuinder, 1978: 87). In a famous 1967 study, Amin argued that a future debt crisis was inevitable in Côte d’Ivoire due to the exportation of a large proportion of national savings. According to Amin, the resulting foreign-capital shortage and loan-repayment process would lead inexorably to crisis.

Alschuler (1988: 94) used the example of *La Compagnie Africaine de Préparation Alimentaire* (CAPRAL) to illustrate the process of decapitalization in a single sector. CAPRAL is an agro-industrial subsidiary of Nestlé, established as a processor of coffee. Its investment grew from 50 million CFAF at the time of investment in the mid-1960s to 1 billion CFAF in 1975. By 1970, CAPRAL had accumulated 950 million CFAF from customs and tax exceptions granted to local firms. But it was not local in any real definition of the term (Alschuler, 1988: 94). There is a marked disarticulation of such local industries from local factor employment.

The disarticulation of the industrial sector from local factors can be viewed from two perspectives: employment and intermediate products. In 1971, Europeans held 87 percent of the region’s managerial, professional and technical positions and 48 percent of its supervising jobs (Tuinder, 1978: 236). They accounted for 4 percent of the region’s employed workers and received 41 percent of the industrial wage bill (Tuinder, 1978: 237). The proportion of Ivorians in the manufacturing sector was 50 percent in 1965, but increased slightly in 1974, reaching 64 percent. In the same year, only 17 percent of Côte d’Ivoire’s intermediate input came from the industrial sector; the primary sector supplied 25 percent, and the remaining 58 percent was imported. In 1966, imports made up as much as 63 percent of the country’s intermediate input (Tuinder 178:231). Industrial processes in import-based industries are limited to the final stage of production, which explains the low level of industrial integration in Côte d’Ivoire—especially given the concessions granted to local firms by the government’s industrial policy.

According to the World Bank, the problems in Côte d’Ivoire’s industrial sector were caused by poor education and a lack of viable intermediary products. However, this argument is inaccurate. After the government’s economic calculations in 1967, the World Bank argued in a 1968 report that the government should invest more in education to increase local employment in domestic industries. Accordingly, the government took out loans as part of its updated development strategy of 1967 (see below) to focus on education. By 1973, the country had spent more on education worldwide than any other country in the world (32.6 percent of its budget, compared with a worldwide average expenditure of 18.2 percent and a minimum of 3 percent) (Tuinder, 1978: 75).

The problems of repatriated profits and industrial disarticulation in terms of intermediate goods were emphasised in the government’s policy-making after 1967, once its economic calculations had revealed the benefits to the EEC and losses to Ivorian consumers incurred by the investment provisions of Yaoundé convention. In 1968, when the Ivorian Development Bank and Ministry of Planning diagnosed these problems, there were only two surviving Ivorian industrial entrepreneurs, and Ivorians made up only 6 percent of the region’s managers, engineers and other staff (World Bank, Part 2, 1971: 56). At the end of 1968, Ivorian private capital was worth less than 300 million CFAF, compared with the total estimated capital of 42 billion CFAF (*ibid*.). This discovery led the government to increase the taxes on domestic industries to 33 percent, noting that many “domestic” firms were actually foreign-owned. An exemption was granted only if firms agreed to reinvest or not to repatriate their profits (World Bank, Part 2, 1971: 53).[[26]](#footnote-26)

In conclusion, the main effect of the Yaoundé trade convention was to replace France with the EEC in the international division of labour; this was evident in the dilution of the French market concentration by the EEC, and by the EEC’s sponsorship of selected products, such as palm oil, for diversification, and the EEC provision of price support to the main Ivorian export products. The expanded EEC market, which was protected against non-AASM members, gave the country an advantage over products from these countries. Therefore, Côte d’Ivoire’s cocoa exports displaced those of Nigeria and Ghana in the EEC market. Côte d’Ivoire’s unprecedented growth in the first 15 years after independence was tied up with the market advantage and price support scheme offered by the EEC. Côte d’Ivoire’s political stability, despite the fissiparous nature several policies (free land and immigration policies for example), was also tied up with the market advantage and price support scheme offered by the EEC. The minimum economic performance was secured, as did the position of the ruling elites**.**

In contrast with the situation in Ghana, where ruling elites felt threatened by a reduction in minimum economic performance and thus instigated a diversification scheme (away from cocoa), the EEC trade system was used by Côte d’Ivoire’s ruling elites to guarantee their survival by protecting the contemporary economic system. The next chapter will show how the emphasis of elites’ interaction with the EEC trade system shifted from the protection of the existing economic system to the allocation of resources. First, however, the divergence between Ghana and Côte d’Ivoire is mapped out in the context of the entire West African region.

## Divergence in West Africa

The divergence between Ghana and Côte d’Ivoire extended to other West African countries. During the Yaoundé years, West African countries were categorised as either unaffiliated (Ghana, Nigeria, Gambia, Sierra Leone and Guinea) or affiliated (Côte d’Ivoire, Mali, Togo, Senegal, Niger, Gabon, Upper Volta and Benin). In the first decade of independence, the same pattern of development was observed in Ghana (already examined), Guinea (examined below) Sierra Leone (see World Bank, S, 1966) and Nigeria. These countries at least attempted to diversify during the commodity crisis due to the threat posed to political elites.

To start with Nigeria: although oil was already exported in large quantities at independence, the sharp decline in cocoa prices in 1961 led to a change of policy in the region that cultivated cocoa beans (Diamond, 1988: 95). Cocoa-bean production was not as important to the Nigerian economy as to the Ghanaian economy because the cultivation of cocoa was limited mainly to one region of Nigeria: the west. The government of Western Nigeria reduced the set price of cocoa and prepared a new diversification program (to be privately led) during the 1961 commodity crisis (Diamond, 1988: 95). However, the diversification effort was hindered by an unrelated political crisis that engulfed Western Nigeria from 1962 (see Tamuno, 1991) and the country at large from 1964. Furthermore, crude-oil exports slowly took centre-stage in the Nigerian economy from the mid- to late 1960s. In short, the diversification effort was impeded by political crisis and the discovery of oil in commercial quantities.

Guinea in the 1960s offers a better example of the development trajectory exemplified by Ghana. Guinea and Côte d’Ivoire are comparable in several respects, as they share a border and a colonial history. The production system in Côte d’Ivoire in the late 1950s (comprising cocoa, coffee and bananas) was almost identical to that of Guinea, due to their common colonial heritage. The price-stability scheme adopted by France in the 1950s in its trade relations with Côte d’Ivoire also applied to Guinea. However, of all of France’s former West African colonies, Guinea was the only country not to participate in the Yaoundé trade system. In 1958, France organised a referendum in its West African colonies to determine whether the colonies wished to adopt the new French Constitution; if so, the colonies became part of the new French Community of shared sovereignty; if not, the territories were granted independence. Guinea was the only colony in which the major political party campaigned against the constitution and ultimately opted for independence (Schmidt, 2009). The French government reacted to this decision by cutting all ties with Guinea, including its trade arrangements.

The loss of French subsidies caused something of a crisis for Guinea’s export economy. After the withdrawal of France in late 1958, the true state of Guinea’s export system was revealed. Previously, 80 percent of Guinea’s exports—predominantly coffee, bananas, cocoa and pineapples—had been sold on the French market (World Bank, 1966: 23). The remaining 20 percent of Guinea’s exports at independence comprised natural minerals. The removal of France’s price-support system revealed severe failings in the economy. This posed a threat to the ruling elites as diversification became inevitable. Due to the presence of substantial mineral deposits, the exploitation of minerals became the easiest way to diversify Guinea’s economy. From 1959, the importance of traditional colonial products began to decline; there was no longer an incentive to promote coffee, cocoa or banana production. In its new mode of diversification, the government instead entered into agreements with mining, aluminum, bauxite and alumina companies (World Bank, 1966: 12).

By 1965, the proportions of agricultural products and minerals in Guinea’s export composition had reversed: agriculture now accounted for 20 percent of export. The government commissioned an alumina plant (the Fria plant) in partnership with private international interests, whose output accounted for 60% of Guinea’s gross export earnings by 1966 (World Bank, 1966: 23). In general, the value of Guinea’s export increased from 4,874 million francs at independence (with a trade deficit of 8,125 million francs) to 12,851 million and a surplus of 766 million by 1964 (World Bank, 1966: 22). The country’s economy had become much more diversified. The government earned US$30 million yearly from alumina by 1964, compared with virtually zero at the point of independence. Fria was producing 480,000 tons of alumina per year by 1964/65, which was sold in Western Europe, North America, Africa and Eastern Europe under a bilateral agreement. The country was exporting 800,000 tons of bauxite by 1965.

The value of Guinea’s traditional colonial exports decreased by more than 70 percent between 1959 and 1965. In the absence of artificial market protection, products such as cocoa and banana were no longer competitive. Pineapple exports fell by 65 percent between 1960 and 1964 (*ibid.*: 13). The amount of coffee produced and exported decreased to 6,400 tons in 1964 from tens of thousands of tons under the French price-support system. Approximately 90,000 tons of bananas were produced and exported at the time of independence in 1958, but by 1964 the volume had fallen below 20,000 tons (*ibid*.). The main reason for the reduction in agricultural exportation was the absence of a local production advantage in several of these products. The price subsidies received from France in the late colonial years (from 1961 in the case of cocoa) was the basis for Guinea’s production of pineapples, coffee, bananas and cocoa.

The few colonial products still exported in 1965 (e.g. 20,000 tons of bananas and 6,400 tons of coffee) remained uncompetitive in the global market, but fell under a preferential trade system with Eastern Europe (World Bank, 1966: 43). In 1965, the government of Guinea decided to promote agriculture, and conducted a study to determine which crops were most appropriate for growth in the country, as opposed to those under a price-promotion scheme. Sugar, tomatoes, tea and tobacco were among the products selected in 1965 for comprehensive diversification (World Bank, 1966: 13). The main difference between Ghana and Guinea was the presence of abundant mineral deposits in the latter, making it easier for Guinea to diversify. Meanwhile, the discovery of oil in commercial quantities separated Nigeria from Ghana and Guinea.

In contrast, Togo, Senegal, Niger, Gabon and Upper Volta followed Côte d’Ivoire’s development trajectory. Cocoa beans and coffee were Togo’s main export crops, and the country signed a trade agreement with France (similar to the 1961 Cooperation Agreement) immediately after independence. In a 1963 report, the World Bank wrote of Togo’s coffee production and exportation that “half of the crop is bought by France at a price above world market [prices] which more than offsets any loss incurred on sales to other countries at world market prices” (World Bank, T, 1963: 15). The main effect of the Yaoundé Convention on the Togolese economy was to increase the production and exportation of traditional colonial products; diversification was only attempted in the cases of cotton and palm oil (World Bank, T, 1968: 27)—the same products into which Côte d’Ivoire attempted to diversify. Togo’s palm oil diversification scheme was funded by aid from the EEC. The main changes in Togo’s geographical distribution of trade following the institution of the Yaoundé Convention were summarized by the World Bank in a 1967 report as follows: “the major change in the geographical distribution of exports (see Appendix - Table 21) is the declining share of the Franc area (in which France itself represents over 90%) although in absolute terms there is an increase since 1964. This is mainly due to the increasing ease of exports into EEC countries other than France, with which Togo is associated” (World Bank, T, 1968: 30). The World Bank also recorded the replacement of France by other EEC countries as the main source of Togo’s imported products (*ibid*.).

This development trajectory was common to all of the West African countries associated with the EEC. Cameroon, for example, gained independence in 1960 and made a special trade agreement with France in 1961 (World Bank, 1964: 18). The details of the arrangement, proposed by France, included privileges in the French market in the form of guaranteed prices, preferential duties, import quotas and direct subsidies (*ibid*.:19). As calculated by the World Bank, “the purely financial gain represented by the differentials between French market prices and world market prices is estimated at some 2.0 billion francs CFA for 1961 or 7% of total exports in that year” (*ibid*.). But the political and economic cost to Cameroon incurred by the trade system are incalculable: the arrangements denied the country policy space, mandated the importation of French products and increased the dependency of Cameroon’s political and economic system on France’s former colonies. This special trade arrangement was annulled by the Yaoundé Convention, after which the government of Cameroon instituted a development policy in line with the Yaoundé provisions. Through the Yaoundé Convention, the EEC provided Cameroon with grants to support local cocoa prices (World Bank, 1966: 8), resulting in increased governmental efforts to promote cocoa cultivation. In a 1968 report, the World Bank documented the main changes to the Cameroon economy in terms of direction of trade, stating that since its association with the EEC, “Cameroon’s exports to France have dropped from over half of [the] total Cameroon exports to 37 percent, while exports to … EEC [have] increased sharply” (World Bank, 1968: 9).

The same pattern was evident even in countries whose main export crops were not cocoa and coffee. For example, France introduced a price-support scheme for Niger’s main export crops, groundnuts and cotton, soon after independence (World Bank, N, 1964: 17), and the scheme was taken over by the EEC in 1964 (World Bank, N, 1968: 20). The EEC subsidised Niger’s main exports throughout the Yaoundé years, which affected the government’s development policies by perpetuating the colonial economic system (*ibid*.). The same occurred in Senegal, whose main export crop was groundnuts.

## Conclusion

The primary aim of this chapter is to show how threat to political survival induced diversification and economic transformation in some West Africa countries (represented by Ghana); and furthermore, how the EEC trade system prevented diversification by protecting contemporary economic system in other West Africa countries (represented by Côte d’Ivoire).

In Ghana, the 1961 commodity crisis threatened the position of the ruling political elites and a developmental state was instituted in response. This was an inevitable search for new basis of state rule. However, the military regime, after the Nkrumah regime ended in 1966, faulted the development effort for the economic crisis in Ghana and reversed to the pre-1961 cocoa system. This reversal was made possible by the recovery of cocoa prices in the second half of 1966. The military regime then conducted an election and a new government emerged in 1969. But when a threat similar to the 1961 commodity crisis occurred in 1970, the new government reverted to the Nkrumah development era - suspending investment in cocoa and attempting to diversify (Herbst, 1993: 22). The success of the threat-induced diversification scheme is a different question; the origin of politically induced diversification is my focus. As shown in the theoretical literature, political survival is the crucial motivation of ruling elites (Whitfield and Therkildsen 2011) and this can be threatened by a crisis in the economic basis of their power/ state rule. Such threat will unavoidably provoke changes in a bid to secure ruling position (Doner et al 2005).

The problem with the EEC trade system, exemplified in the case study of Côte d’Ivoire, is its guarantee of contemporary economic formation in West Africa, so that there is a permanent absence of reducing economic basis of state rule. France, and later the EEC, protected the economic system against any crisis by insulating the main export from the vagaries of world market prices. This led to a protection of not only the economic system but also the political coalition/elite. The absence of political crisis in Côte d’Ivoire in the 1960s can, in part, be explained by the EEC trade system. Likewise, the political crisis in Ghana has been explained from crisis in the economic system (Killick 1987). This point is not entirely inessential: the affiliated countries (Côte d’Ivoire, Mali, Togo, Senegal, Niger, Gabon, Upper Volta and Benin) enjoyed more political peace and stability than the non-affiliated countries (Ghana, Nigeria, Gambia) in the 1960s. This is due to the relationship between economic crisis and political crisis.

The divergence between Ghana and Côte d’Ivoire reflects the main development trajectories of West African countries in the first decade after independence: economically and to some extent politically. By 1975, at the end of the Yaoundé trade experiment, the West African countries associated with the EEC (with the exception of Nigeria) had grown more rapidly than their non-EEC affiliated counterparts, with an increase mainly in the market for traditional colonial products. Cocoa, coffee and groundnuts remained the main export products of these countries after independence; no attempt was made to alter this composition. By 1975, all West African countries joined the EEC trade system under the Lomé Convention. As shown in the following chapter, the development trajectories of Ghana and Côte d’Ivoire began to converge in 1975, when the Lomé trade system instituted consistent development practices across Western Africa (with the exception of Nigeria, which became dependent on the exportation of crude oil). Ghana and Côte d’Ivoire implemented almost identical development policies from the 1980s, purely on the basis of products supported in the EEC’s Lomé trade agreement.

# Chapter 6: The Lomé Convention and Extraversion

## Introduction

The second EC trade system, established in the Lomé Convention, covered the period from 1975 to 2000. The Lomé Convention diverged from the provisions of the previous trade system: for example, West African countries gained the freedom to use tariffs against France and the EC for the first time in July 1975 (Tuinder, 1987: 99), and the Convention did not require the surrender of policy space. However, this shift to a non-reciprocal trade system (diverging from the colonial model in principle) was ineffective, as demonstrated in this chapter, because the price and market advantages of the Yaoundé Convention were extended and in some cases augmented in the Lomé trade system. As a result, the West African political elites (now including Ghana) continued to use the EC’s trade advantages as the basis for their economic and political survival. The ruling elites in Ghana followed Côte d’Ivoire’s pattern from the mid-1980s; that is, diversifying into products promoted by France in the colonial era and extended in Yaoundé and Lomé Conventions. But the expansion of the ex-colonial members in Lomé convention (the inclusion of former British colonies for example) led to an expansion of the products protected (through tariffs preferences and price support) and this opened space for new development policies (or resource allocation) within the trade system.

There was therefore a relationship between Lomé Convention and resource allocation, best explained by the inclusion of sugar protection in the Convention (not formerly in the Yaoundé Convention), which led to a reallocation of resources in Côte d’Ivoire and other West African countries to sugar production, leading to crisis in a couple of countries. More importantly, the products promoted by the EC in the Lomé Convention were all sub-optimal. For example, the Ivorian attempt to diversify into sugar because it was protected by the EC led to a financial crisis (resource misallocation), and the Ghanaian diversification scheme in the 1980s and 1990s (into products formerly promoted by France) oriented production toward products promoted by the EC that could not be realistically exported outside the EC-protected zone, eventually leading to resource misallocation. Finally, EC protection risked causing intensive production (in cocoa for example) due to the structural ceiling in production systems.

The argument of this chapter is that the interaction between the Lomé Convention and political elites’ search for grounds for survival produced an economic system in which EC market advantages determined the economic specialisation of West African countries. Lomé convention led ruling elites to promote problematic forms of specialisation and the main focus and thesis of this chapter is the problematic nature of the sectors promoted by ruling elites due to their protection by the EC: sugar, cocoa, pineapple, banana and processed fish etc. Without the EC trade system ruling elites will search for survival through promoting other sectors. While the previous chapter focused on ruling elites, this chapter is a sectoral (and micro) analysis demonstrating the problematic nature of the sectors prolonged or instituted by the EC through the mechanism of the trade system.

The chapter is structured as follows. The first part of what follows contextualizes the Lomé Convention by showing that the shift to non-reciprocity was due to a change in EC market requirements, and that EC-West Africa trade thus remained neo-colonialist and instrumental. Next, the impact of Lomé is explored in the following three dimensions. (1) Resource misallocation or failed extraversion attempts (using the example of the problematic reorientation toward sugar sector, which was promoted in West Africa by the trade system). (2) The danger of moving beyond the point of diminishing returns in products promoted by the trade system (as demonstrated in a detailed case study of cocoa sector). (3) The convergence between Ghana and Côte d’Ivoire in terms of sub-optimal sectors (of bananas, pineapples and fisheries sectors). In conclusion, the Lomé Convention is shown to have directed specialisation in West African countries toward problematic colonial-like sectors.

The chapter retains the centrality of African ruling elites agencies without in-depth analysis into it as in the previous chapter and instead it is sector focused.

### The Context of the Lomé Convention

The overall argument of the thesis is that the ruling elites of West African countries used the EC’s trade and development system to ensure their own political survival in a process that complemented with Europe’s neo-colonial ambition. While the theoretical language is based on political survival of ruling elites, the EC’s neo-colonial ambitions is also part of the story. This part contextualizes the Lomé Convention by showing that its provisions, though was suitable to ruling elites’ survival, was in response to EC market requirements at a particular moment in history. The replacement of the Yaoundé trade systems occurred at a seeming watershed. The commodity crisis of 1973-75 created the appearance of a power shift toward commodity-producing countries (Taylor, 2010: 102). The crisis increased the price and reduced the supply of commodities, which is generally believed to have influenced the negotiation and outcomes of the Lomé trade convention (Ravenhall, 1980: 150; Gowland et al., 1985: 81; Adebajo, 2012: 89; Torrent, 2012: 239). The crisis originated with the oil crisis of 1973. The dollar price of crude oil rose by less than 2 percent per year on average between 1947 and 1967 (Hammes and Wills, 2005: 502). However, a coalition of southern oil producers used an embargo to produce an energy crisis in a bid to punish the supporters of Israel in the 1973 Yom Kippur War.[[27]](#footnote-27) As a result, prices rose from $3 to $12 per barrel. For the first time, the southern countries created a crisis in the industrialised world simply by withholding raw materials. This caused unprecedented concern in both the United States and Europe over the future security of raw materials (Ravenhill, 1985: 96).

This concern led to price growth in other commodities; the prices of sugar, cotton, palm oil and cocoa all increased by more than 100 percent during this period (World Bank, 1986). As Vincent Mahler has shown, the focus of the sugar conferences shifted for the first time in 1973 to the security of supplies for consuming countries as opposed to prices for producing countries (Mahler, 1984: 717). The crisis created the appearance of a power shift; some southern countries, for example, attempted to replicate the oil embargo by controlling the supply of other commodities. Gamani Corea, a Sri Lankan economist and in 1974 the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), an organisation known for its southern focus, proposed a plan for the creation of a new international agency that would stockpile multiple commodities to regulate prices (Toye, 2014: 1765). The program was not successful, but the general atmosphere suggested a change in bargaining power to the advantage of the global South.

The change in the global trading environment oriented industrialised countries toward securing channels for commodity supplies. For example, it has been argued that the later food-security policy employed by the US and the EU—stimulating excessive production through subsidies—was conceived in this period (Paula and Pessali, 2014: 319). The negotiations that led to the Lomé trade system were greatly influenced by the commodity crisis. Joseph McMahon, for example, argued that the EEC entered the Lomé negotiations with one thing in mind: “securing raw material” (McMahon, 1988: 298). The Lomé discussions began at the point of the oil crisis in 1973, which significantly affected the position of both the EEC and the ex-colonies (Raffer and Singer, 2001: 100). According to some writers, the initial Lomé trade document (signed in 1975) reflected the EEC’s anxiety about the future security of raw materials (Woertz, 2013: 121; Meléndez-Ortiz et al., 2009: 117). But the document also reflected extraversion on the part of the ex-colonies. The EC’s attempt to secure raw material merged with Africa’s leaders attempt to secure price and market advantages.

The negotiations began in 1973 after Britain’s accession to the EC. In its original form, the Lomé Convention was a trade and aid system between nine EC members and 46 members of the African, Caribbean and Pacific Group of States (ACP). The term “ACP” was adopted in the Lomé Convention to denote the inclusion of former colonies from Africa, the Caribbean and the Pacific region. The size of both the EC and the ACP increased with each remodeling of the trade system—in 1979, 1984 and 1989. By 2000, the number of former colonies participating in the Lomé Convention had increased to 78.

### *Features of the Lomé Convention*

The two main features of the Lomé Convention were (1) preferential market access and (2) a commodity price stabilisation/support scheme. First, the ACP countries were granted duty-free and quota-free access to the EC market, except in products governed by the Community’s Common Agricultural policy (CAP).[[28]](#footnote-28) According to the provisions of the Lomé Convention, the ACP countries were under no obligation to reciprocate by opening their markets to products from the EC. Their only obligation was to ensure that the members of the EC were not treated less favourably than other developed countries in the ACP markets (Arts 7 Lomé I; 9 Lomé II; 136 Lomé III; 174 Lomé IV; and Annex V, Art. 5 Cotonou). The trade agreement contained a safeguard clause permitting the EC to take appropriate measures if imports from the ACP threatened domestic producers.[[29]](#footnote-29) For selected commodities, the nature of the preferential market access was spelled out in special commodity protocols, as follows.

The Lomé Convention contained separate protocols for sugar, bananas, beef, veal and rum. The Sugar Protocol was an extension of the British CSA of 1951. Under the Sugar Protocol, the EC undertook to import a specified quantity of sugar from sugar-producing ACP countries at favorable prices. The refusal by a number of sugar-producing countries to fulfill the 1973-75 quota mandated by the CSA, thereby exploiting higher prevailing world-market prices (due to the commodity crisis), resulted in a shortfall of 325,336 tonnes of sugar in Britain (Ravenhill, 1985: 228). In the Sugar Protocol, the EEC responded with the mandate that any ACP country incapable of fulfilling its quota, or unwilling to do so, would lose a proportion of its quota in subsequent years. The Banana Protocol operated differently from the Sugar Protocol. It privileged ACP bananas through a tariff and quota system. Whereas the Sugar Protocol was borrowed from British colonial policy, the Banana Protocol was borrowed from French colonial policy. As a result, resources were cross-allocated by the British and French ex-colonies. That is, the former British colonies attempted to diversify into banana production (promoted by the French colonial system through quotas, subsidies and preferential market access), while the former French colonies diversified into sugar (promoted by the British colonial system). The protocols on beef, rum and veal took the form of duty reductions.

In addition to preferential market access, the EC provided the ACP states with financial and technical assistance through various schemes. A commodity price stabilisation system, STABEX (from the French *Système de Stabilisation des Recettes d’Exportation*), was instituted in the form of price support. In principle, STABEX provided export-earning stabilisation for several commodities. Tibor Palankai (1977) argued that STABEX was a product of the commodity crisis, citing Hans Michael’s 1973 report in which the EC declared that any trade system with the third world must take into account-projected shortages in food and raw materials (see alsoFrey-Wouters, 1980: 80). Similarly, numerous writers have viewed STABEX as a defensive response to the fear of raw-material shortages provoked by the commodity crisis (Brown, 2002: 57; Taylor, 2010: 210). But STABEX can also be viewed from the perspective of political elites in Africa as a strategy of extraversion.

Initially, the threshold of dependency on a given commodity relative to the economy’s total exports was set at 7.5 percent—later scaled down to 6 percent—as the condition of eligibility for inclusion in the STABEX scheme. This provided the semblance of price security for Côte d’Ivoire’s and Ghana’s main exports—as had been the case since the late-colonial period in the French colonies. A slight drop in coffee and timber prices in 1976 led the government of Côte d’Ivoire to claim 15,000,000 CFAF before 1977 **(**EEC, 1984: 62**)**. Other countries claimed benefits under STABEX before a major price slump in the 1980s (Lister, 2002: 127). Despite meeting all legitimate requests between 1975 and 1978, the shortcomings of STABEX had become obvious by 1980, when its resources covered only 53 percent of requests. By 1981, it was able to fulfill only 24.7 percent of requests, and by 1984, it covered just over 10 percent (UN, 2005: 9). With reference to STABEX and related issues, John Ravenhill argued that “nothing in the relationship [was] guaranteed.” The Convention was riddled with escape clauses, as STABEX and other funding was provided at the EEC’s discretion (1985: 310).

The history of the Lomé Convention after 1979 was characterised by a continuous rollback of the advantages formerly provided (cf. Raffer, 1998, 1999; Raffer & Singer, 2001). For example, the EC introduced a test of democracy and human rights to subsequent refinements of the trade system. Lomé III contained a preliminary reference to human rights, and Lomé IV contained a provision for human-rights obligations and structural-adjustment conditionality in line with the IMF’s mandates. Some writers have argued that the EC slowly removed the advantages originally conferred in the Lomé Convention (by reducing STABEX funding, for example) because the commodity crisis that produced the initial Lomé trade system had ceased before the late 1970s (Ravenhill, 1985: 310; Edye and Lintner, 2002; Babarinde, 1995: 475; Raffer, 2003: 3).[[30]](#footnote-30)

Regardless of the changes to the Lomé Convention, including the successive withdrawal of advantages, the Convention provided a backdrop for development plans in several West African countries. The disproportionate support of cocoa and coffee under STABEX, for example, perpetuated their production, and the Sugar Protocol, which offered sugar prices double those of the world market, provoked diversification in several countries. Support for several other crops (such as bananas and pineapples) led to diversification along similar lines. In short, the Lomé Convention determined the specialisation trajectories of West African countries.

## Effects of the Lomé Convention

The main thesis of this chapter is the problematic nature of the sectors promoted by the interaction of ruling elites quest for survival with Lomé convention. The Lomé trade convention offered preferential market access for a selection of former British colonial products (sugar and cocoa) and former French colonial products (cocoa, bananas and pineapples). As a result, the former French colonies diversified into products previously protected in the British colonies, while the former British colonies diversified into products previously protected in the French colonies. These products were however deeply problematic and in most cases West African countries have no production advantages in them. The specialisation trajectories of Côte d’Ivoire and Ghana converged in the 1980s and 1990s.

To explore the influence of the Lomé trade system on West African specialisation, I start with the immediate resource misallocation provoked in Côte d’Ivoire and the other former associated countries by the inclusion of new protected sectors in the Lomé Convention. The “new” products included in the Lomé trade system were not under French colonial purview; they were included due to their special status in Britain. Sugar is one example. The Sugar Protocol followed the pattern of French price support, although sugar had never been a French colonial product. Ruling elites in Côte d’Ivoire and the other former French colonies responded to the sugar protocol in the same way: by attempting immediately to diversify into sugar regardless of domestic production possibilities. This led to a crisis in Côte d’Ivoire.

### *Resource Misallocation—The Case of Sugar Sector*

Only two years after the enactment of the Lomé Convention, a memorandum entitled *Inconsistencies in the policies pursued by the Community and Member States: the example of sugar* (Information Memo P-130/78) was published by a research group. The memorandum noted a direct link between the Sugar Protocol established as part of the Lomé Convention and the setting up of sugar factories in numerous ACP countries. According to the memorandum, the construction of 66 new sugar factories in numerous ACP countries had begun in the two years since the Lomé Convention. Forty-four of these factories were funded by EEC aid or grants from EC member states. The memorandum noted that the changes in the structure of the world sugar market since 1975 had rendered the Sugar Protocol anachronistic; the sugar shortage of 1973/74 from which the protocol in part arose was no longer present in 1978/79.

By 1978, the year of the memorandum’s publication, world sugar production had increased and a sugar shortage in the EC had been replaced by a surplus. The writers of the memorandum recognised the impossibility of increasing the ACP sugar quota under the protocol, and asked whether the EEC could “go on accepting, by pretending the problem does not exist, the inconsistency between blanket export aid policies… and the responsibility which the Member States and the Community should exercise vis-à-vis their third world partners, particularly as regards the selection of sectors for development” (Memo P-130/78; italics mine).

The Lomé Sugar Protocol was influenced by the sugar shortage of 1973/1974. In 1973, the focus of the world sugar conferences shifted for the first time to the security of supply as opposed to price (Mahler, 1984: 717). During this period, the world-market price of sugar increased from less than 10 cents per pound in 1972 to about 60 cents per pound in 1973/74 (Fauriol and Loser, 1990: 318). The fear of a sugar shortage had two main effects on the Lomé trade system: (1) it produced the Sugar Protocol, which allocated annual sugar quotas to ACP countries, and (2) it increased the EC’s domestic sugar production through subsidies (Ravenhill, 1985: 232). The Sugar Protocol guaranteed the yearly importation of 1.22 million tonnes of ACP cane sugar at prices generally higher than world-market levels. The protocol was not subject to the periodic reviews of the Lomé Conventions, and was thus legally binding. The EC also promised to increase the yearly quota of sugar and to include new ACP members in the protocol according to the projected increase in consumption (Ravenhill, 1985: 232).

The generous prices offered under the Sugar Protocol, and the resemblance of the protocol to French price support, led to the establishment of sugar factories in the ACP countries.

Table 6 1: Comparison of world-market and Lomé prices
(in UA per 100 kg raw sugar)

Year I.S.A Lomé
 Daily price .

1975-76 27.39 25.53
1976-77 16.90 26.90
1977-78 13.06 27.25
1978-79 12.21 33.62
1979-80 15.62 34.13
1980-81 46.00 35.01
1981-82 35.55 38.94
1982-83 18.78 42.63
1983-84 20.95 44.43

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|  |

Source: John Ravenhill (1985: 232)

As shown in the table above, the prices offered by the EC were at least twice as high than world-market prices between 1977 and 1980. The effect of the Sugar Protocol on resource allocation in West Africa must be considered historically. Dinham and Hines observed that most of the countries that initially responded to the Sugar Protocol were former French colonies with a long history of price stability and the use of preferences to select products for specialisation (Dinham and Hines, 1984: 85).

In Côte d’Ivoire in 1976, public investment was redirected to the sugar sector. Previously, the government had had no plans to develop sugar. The initial 1975-1980-development plan did not include sugar (World Bank, 1981: 7). The country’s history of sugar production began in November 1970, when the government created the *Société pour le Développement du Sucre* (SODESUCRE) to establish a sugar complex with a 60,000-tonne capacity in Ferkessedougouin in northern Côte d’Ivoire. The Ferkessedougouin complex was intended to meet domestic demand, which averaged 55,000 tons (Tuinder, 1977: 119).  The complex began production in December 1974, had produced 21,530 tons by 1975, and was expected to produce 50,000 tons by 1978 (*ibid*.). This modest plan changed with the introduction of the Sugar Protocol. The Lomé Convention modified the previously prepared five-year development plan (World Bank, 1981: 4). The sugar price and market guarantee provided the government with a new basis for extraversion.

The generous sugar arrangements made in the Lomé Convention created an incentive structure for the allocation of resources. In 1976, the World Bank warned the government of Côte d’Ivoire against implementing a sugar-development scheme (Tuinder, 1978: 189). Nevertheless, the government turned to individual European countries (specifically France, Holland and Belgium) to fund a massive sugar-development program. Initially, no foreign funding was required. Between 1975 and 1977, a commodity boom in the global market multiplied the prices of coffee and cocoa by 3.6 and 2.2 times respectively (Michel and Noel, 1984: 13). Under these favorable circumstances, the government decided to embark on a massive sugar investment/diversification program. In nominal terms, public investment tripled between 1974 and 1978, increasing the share of public investment from 11.4 percent to 21 percent.

Of the 66 sugar factories identified in the 1978 memorandum, 4 were constructed in Côte d’Ivoire. Approximately 10 percent of Côte d’Ivoire’s 1974 GDP, or more than 100 billion CFAF, was directed into sugar complexes. Excluding processing plants, which were allocated industrial resources, Côte d’Ivoire’s sugar-cane program was allotted almost 60 percent of the government’s entire spending on agriculture in the post-Lomé development plan (World Bank, 1981: 7). The program was thus the single largest development project undertaken by the government since independence. CFAF 311 billion was planned for the production of six sugar complexes (World Bank, 1981: 7). The decision to diversify into sugar was predicated on the EC sugar regime. In government documents, the EC market was cited as the principal target of sugar investment (Stevens, 1984: 48**)**. Côte d’Ivoire was not alone; several other West African countries diversified into sugar production following the Lomé Convention.

However, the EC also responded to the 1974-75 sugar shortage by promoting local (European) production through subsidies. As a result, the region had become self-sufficient in sugar production and a significant net exporter of sugar by the time Côte d’Ivoire applied to join the Sugar Protocol (to which it was admitted in 1980, with a small quota) (Ravenhill, 1985: 239). The EC’s net exports of sugar, which made up a negative percentage of world sugar exports at the time of the protocol, had a 20-percent share in 1979 (*ibid*.). The EC’s sugar consumption had risen by 5.3 percent within four years of the Lomé Convention, and production had increased by 50 percent (*ibid*.). By 1981, the EC had become the world’s second largest exporter of sugar, and its consequent dumping into the world market undermined the International Sugar Agreement and depressed world sugar prices, prompting Brazil and Australia to lodge a formal complaint with the GATT committee. Nevertheless, the EC continued to increase the prices paid to ACP sugar producers during this period, and political elites in the ACP states thus continued to develop their countries’ sugar capacity.

In 1980, the unit operating costs of production in Côte d’Ivoire’s six sugar factories were two to three times greater than world-market prices (Gilles and Michel, 1984: 16; World Bank, 1981: 5). Although Côte d’Ivoire joined the Sugar Protocol in 1980 (following signs of another sugar shortage), the country’s quota was nowhere near the capacity for production. Contemporary economic calculations provided by Tuinder and the World Bank indicate that at the time of the investment, the operating costs of sugar production exceeded those in the world market, placing Côte d’Ivoire “at a distinct disadvantage” (Tuinder 1978: 189). Although this information was made available to Côte d’Ivoire’s government, the political elites used a different basis for calculation (namely the protected market in the EC).

In a 1981 study of structural adjustment, the World Bank identified the situational cause of the Ivorian economic/debt crisis in its “ill-conceived sugar program” (World Bank, 1981: 21). According to the World Bank, public investment was made on the incorrect assumption that a market was readily available for sugar output (*ibid*.). The debt crisis that engulfed the country from the beginning of 1980 was almost exclusively the result of the misallocation of resources to sugar. Investment in sugar (partly funded by foreign credit) was based on two incorrect assumptions: the assumption of a ready market for sugar output (in the EC), and the assumption that the commodity boom of 1976-1978 would continue. When the second assumption turned out to be incorrect, the sugar program was carried out with the aid of foreign loans, and the debt crisis occurred when the first assumption turned out to be incorrect. Although the Lomé Convention does not appear in the World Bank’s analysis of the debt crisis, the misallocation of resources to the sugar sector was the primary reason for the crisis.

The relevance of the sugar case study is twofold. One, it shows that the trade system determined the incentive structure (extraversion) of the ruling elites in former colonies to the extent that 66 new sugar complexes were in construction only three years after the Lomé Convention. Therefore, normal economic calculations such as factor endowment and viability were not factored into the decision to allocate resources to sugar. This was the case in Côte d’Ivoire and all of the other West African countries that attempted to construct an export system in sugar following Lomé convention. The case of sugar was consistent with the colonial incentive structure, in which developed countries determined the specialisation of target societies regardless of domestic factors.

Secondly, researchers investigating the ACP countries’ investment in sugar (World Bank, 1981; World Bank, 1984; World Bank, 1996: 63; Michel and Noel, 1984: 13; Faure, 1989: 64) have failed to consider the role of the EC trade system in distorting the investment-incentive structure in West Africa. Scholars criticised the government for its failure of due diligence, and the World Bank offered a reminder of its 1976 warning against investment into sugar (World Bank, 1981: 15), but the influence of the EC trade system on the government’s incentive structure was never mentioned. As the Lomé Convention affected only incentive structure, without directly influencing the economic system, its role in specialisation has rarely been specifically analysed.

The sugar case study shows that the interaction between the Lomé Convention and ruling elites’ pursuit of political survival created a misallocation of production resources and eventually a financial crisis. As stated in the introduction, this chapter focuses on the problematic nature of the sectors produced or preserved by this interaction. A detailed case study of cocoa cultivation in Ghana and Côte d’Ivoire is presented in the next sub-section. Although the Lomé Convention and the cocoa sector were not directly connected, the link between the trade system and political elites’ incentive structure affected West African cocoa production because the sector is centralised and thus controlled by political elites. Therefore, the trade system indirectly affected the government’s policy on cocoa cultivation.

### *Case Study of Diminishing Returns in Cocoa*

This case study illustrates the risk of intensive production (and increase in poverty among cocoa planters) in Ghana and Côte d’Ivoire following the exhaustion of the production factor of forestlandCocoa beans are the main export product of Ghana and Côte d’Ivoire, and the product most vigorously promoted in the Lomé trade experiment (Hewitt, 1983; Aiello, 2002; Martin, 2002: 26). In addition to the market advantages offered to ACP cocoa producers in the EC market (e.g., 6.1 percent protection for cocoa paste, 4.2 percent for cocoa butter fat and oil, and 2.8 percent for cocoa powder), cocoa and coffee accounted for the greatest part of the commodity-support scheme **(**EEC 1984**;** European Commission, 1997: 8**).** This is according to the negotiations of ruling elites with the EC**.**  Côte d’Ivoire and Ghana are the two main global producers/exporters of cocoa. Between 1975 and 1989 (Lomé I to III), 51 percent of STABEX funding (the price stabilisation scheme of Lomé convention) was allocated to cocoa and coffee, and Côte d’Ivoire alone received more than 20 percent of the entire STABEX disbursement from 1975 to 2000 (among 71 ACP countries) due to the country’s concentration in cocoa (Martin, 2002: 26). The EC also financed cocoa-development projects in Côte d’Ivoire and Ghana through its European Development Fund (EDF) series of National Indicative Programs/Country Strategy Papers (NIPs/CSPs).

As West African countries controlled more than two thirds of global cocoa output, the Lomé market preferences did not altogether displace alternative suppliers. Other major cocoa producers, such as Malaysia and Brazil, consumed or processed most of their output. However, the EC’s protection and promotion of ACP cocoa production (especially through STABEX, but also through production-aid disbursement) offered an incentive for continued cocoa production in West Africa. However, cocoa farming is structurally limited, as theorised in chapter 3, due to the relationship between production and forestland. The continued promotion of cocoa beyond the point of diminishing returns may lead to mass poverty. The case study is divided into two sections: the first describes the nature of cocoa production in West Africa, and the second demonstrates the possible contribution of the Lomé trade system to the perpetuation of cocoa production after the exhaustion of forestland. This contribution is the outcome of the interaction between Lomé trade provisions and the bid by ruling elites to maintain a minimum economic performance.

#### The Nature of Cocoa Production in West Africa

The ongoing domination of cocoa production by Côte d’Ivoire and Ghana contradicts historical patterns of geographical shifts in production centers. Historically, cocoa-production centers have repeatedly undergone geographical shifts (Ruf and Siswoputranto, 1995: 35; Clarence-Smith, 2000: 5; Kolawole, 1970; Ruf and Yoddang, 2004: 155). For example, cocoa production moved from Mexico to Central America in the seventeenth century, to the Caribbean in the seventeenth/ eighteenth centuries, to Venezuela in the eighteenth century, to Ecuador and then Sao Tomé in the eighteenth/nineteenth centuries, and to Brazil, Ghana, Nigeria and finally Côte d'Ivoire in the early twentieth century (Ruf and Zadi, 2003: 132). These changes are also reproduced on a subnational scale. Production shifts have been observed within cocoa-producing countries in “boom and bust” cycles. Planters migrate to other regions when the vital production resource in one region has been exhausted (Clough et al., 2009: 199; Clay, 2003: 129; Babin, 2004: 269; Robertson, 1987: 59).

These national and subnational shifts in cocoa production are completely absent from the literature on political and agricultural economies. They have only recently been documented in environmental studies dealing with forest conservation (Clay, 2003: 126; Ruf, 2001: 291; Schroth and Harvey, 2007: 2238). The authors of the earliest of these studies were more concerned with deforestation than with cocoa production. They observed that cocoa cultivation is an agent of deforestation, and further conceptualised the geographical changes in cocoa planting that have occurred for centuries. The reason for a geographical shift in production centre is the same both nationally and regionally: forest is a production factor in cocoa planting, and its depletion reduces output/yield, necessitating a shift in production centre.

#### Forest as a cocoa production factor

According to Yann Clough, “the map of cocoa-producing areas is reminiscent of the map of the world's tropical biodiversity hotspots” (Clough et al., 2009: 198). This is hardly a coincidence. The threatened habitat of the tropical forest is a production factor in cocoa farming. Cocoa planting is easiest and cheapest (in terms of production costs) in tropical forest (*ibid.*). Accordingly, countries that lack abundant forestland cannot cultivate the product, and cocoa-producing countries or regions in which forestland has been exhausted must cease to cultivate the product. “When trees grow older and when forest has been massively cleared,” wrote the environmentalists Ruf and Zadi (1998), “cultivation becomes more difficult.” Once forestland has been exhausted in a given geographical area, farmers tend to migrate in search of virgin forestland. This accounts for the repeated shifts in cocoa-cultivation centres. The constant migration of cocoa producers, which has been acknowledged in several studies (Hunter, 1963; Hill, 1963; Ruf and Zadi,, 1998; Clough et al., 2009; Ruf and Siswoputranto, 1995), is thus related to the sector’s boom and bust cycle. The speed of boom and bust in cocoa farming is determined locally: by local cultivation methods and political/social conditions. There are five key stages in the cycle of cocoa production: settlement, boom, stagnation, bust and migration to new forestland (Clough et al., 2009: 198).

Figure 6. 1. Model of cacao boom-and-bust cycle; the cacao cycle may last for as little as 20–25 years.



Adopted from Clough, Faust and Tscharntke (2009).

The above model is an approximation. To calculate the actual duration and speed of boom and bust, certain contextual information is required: soil type and cultivation method, for example. In terms of cultivation method, forestland can be used to produce cocoa in two ways: the shaded method and the zero-shaded method.

The majority of the world’s cocoa in peasant farming systems is planted in shaded forest. In shaded farms, much of the forest undergrowth is cut and burned, but some giant trees are preserved to create a canopy for young cocoa plants. The shade from the giant trees helps young cocoa plants to avoid the physiological stress caused by direct exposure to sunlight. Therefore, the majority of cocoa plants are planted in thinned forest—forest in which many trees have been cut down and burned, with some preserved to provide a canopy for cocoa plants (Clough et al., 2009: 199). One disadvantage of the shaded method, compared with the un-shaded method, is its delay in returns. Although heavy shade protects cocoa plants against the deleterious effect of direct contact with sunlight, it also slows down the growth of the cocoa-tree crop. Planters using the shaded method for cultivation are generally protected against insects and pests. The overall life of the cocoa plant is also prolonged.

The second cocoa-growing method is the zero-shade (or un-shaded) method. This method entails the intensive burning of biomass. Planting after intensively burning a piece of forestland accelerates the initial growth of cocoa trees and ensures a quick harvest. It has been calculated that shaded cultivation/ agroforestry in Côte d’Ivoire “took 5 years until the first cocoa yield and produced 500 kg of cocoa per hectare after 10 years,” whereas “with the no-shade system the tree crops started to produce within 3 years and yielded close to 1 metric ton of cocoa per hectare at 6-7 years” (Ruf and Schroth, 2004: 117). However, although the zero-shade method increases returns, it also heightens plants’ susceptibility to pests, diseases and physiological stress, which makes replanting difficult (*ibid*.).

The two methods of cultivation are not always easily distinguished. For example, some farmers pursue hybrid cultivation by converting shaded farms into zero-shade farms. That is, cocoa plants are shaded until early maturity, when the shade is removed to increase yield in the short term (Clough et al., 2009: 199).

The method of cultivation used in a given geographical region is determined by cultural, social and political factors. Access to land, for example, can determine a region’s cultivation method. Most Ghanaian farmers used the shaded method in their early engagement with cocoa, partly due to land customs (controlled by strong traditional authorities, preventing farmers from accessing free land for constant migration). The situation was different in Côte d’Ivoire, where the colonial system instituted an open-land policy from 1946, denying traditional rulers the right to forestland and thus creating land insecurity. A brief excursus into land policy in Côte d’Ivoire will suffice here.

When France decided to promote the indigenous production of cocoa in Côte d’Ivoire from 1946, they undermined the primacy of local authorities in the forest area in order to facilitate cocoa farming. The state asserted itself as the owner of all vacant land (Losch, 1994: 25). Clearing and cultivating an unoccupied piece of land conferred the right to ownership. After independence, Côte d’Ivoire’s government followed in the footsteps of the colonial regime by instituting a free migration and open land policy in an attempt to maintain the cocoa economy. A few months after independence, for example, the regime led by Félix Houphouët-Boigny (and his party, the PDCI) signed a bilateral agreement with the government of Upper Volta (Burkina Faso) to ensure the continued flow of Voltic workers and peasants into Côte d’Ivoire, as formerly organised by the colonial authority.[[31]](#footnote-31) The government then introduced a bill consolidating the migrants’ position in the ceded land. Next, in 1963, the government introduced a Code Dominial, requiring all land not privately held to be registered in the name of the state (Boone, 2007: 72). In the same year, the government formulated a *mise en valeur* decree, translated as “land belongs to whoever cultivates it” (quoted by Marian-Guyon, 2014: 17). The resentment created by the migration and land-tenure policies after independence led to secession attempt by some southwestern tribes.

In the meantime, however, the outcry from Côte d’Ivoire’s local western traditional authorities created a sense of insecurity in the ceded forestland areas. Ruf and Schroth drew a direct link between the large presence of migrants in the Ivorian cocoa sector and the extensive use of the zero-shade method of cultivation (Ruf and Schroth, 2004: 119). As the decades after independence were characterised by recurrent conflicts over land rights and mass migration, the land secured by the migrants was at least perceived as impermanent. The use of the zero-shade method of cultivation in the Ivorian cocoa sector rapidly depleted the country’s forestland resources, as is clear from the literature on deforestation. As early as 1980, FAO-UNEP (1981) submitted that forest cover in Côte d’Ivoire had decreased from 13.2 million ha to about 4.5 million ha. The country’s forest reserves are estimated to have decreased from roughly 16 million ha at independence to 2.5 million hectares in the early 1990s.

The cycle of settlement, boom, stagnation, bust and migration occurred more rapidly in Côte d’Ivoire than anywhere else. The annual rate of deforestation in Côte d’Ivoire in the 1970s (at the time of its massive increase in cocoa output) reached 6.5 percent, the highest in the world (Schmidt, 1990). In this period, the country became the world’s leading cocoa producer. But the increase deforestation presaged the end of optimum cocoa cultivation due to the differential forest rent.

The phrase “differential forest rent” describes the difference in production cost or output between cocoa cultivated in fresh forestland and replanted cocoa (Ruf, 1987, 1995, 2004). Differential forest rent can be calculated in terms of the ratio of input to output. The difference between cultivating cocoa in forestland and replanting cocoa cannot be calculated in precise terms. However, according to the owner of one smallholder organisation, “you have one hectare of cocoa after grassland and two hectares after forest” (quoted in Ruf and Lançon, 2004: 195). Even so, the effort required to maintain planted and replanted forest also differs, due to microclimatic differences between forests and replanted sites. The biological factors of pests and disease, which increase production costs and reduce yield, also differ between forest plantations and replanted sites. Differential forest rent helps to explain why regional shifts in cocoa-producing centers have been shown to follow the exhaustion of forestland, with new plantations continually established.

However, the actual differential forest rent in a given region is influenced by contextual factors, such as cultivation methods or labour costs. In Côte d’Ivoire, several estimations of the extra labour cost of replanting indicate an increasing labour need. One scholar estimated that the entire labour investment in replanting amounts to 260 days per hectare, compared with 74 days per hectare in forestland (Ruf and Schroth, 2004: 112). The extra cost of replanting cannot be mitigated by a price increase, because the product competes perfectly. Migration is thus inevitable.

Although no systematic theory has been developed to explain the cocoa-production circle, Ruf and Schroth described several historical patterns of cocoa production, as excerpted below.

“The Sonocusco province [in Mexico] was famous for its wealth and prosperity, densely populated with Indians and much visited by Spaniard merchants for its abundant cocoa production and its important trade that followed from it. There are now very few Indians. It is said that there are less than two thousand and that cocoa trade is disappearing, moving to another province, farther on the track to Guatemala.” (Alonso Ponce, 1586, quoted by Ruf and Schroth, 2004)

J. B. Delawarde (1935) described Martinique Island in the seventeenth century as follows: “In the mountains, cacao cultures grow to produce much profit. However, the factor of success, new soil, is a transitory one. The colonists did not fertilise the soil, they used it up and then planted elsewhere” (Delawarde, 1935: 103).

The relationship between cocoa and forestland has certain implications for the political economy of cocoa-producing countries. Once the structural ceiling of forestland has been reached, planters must either continue production under worse conditions of shared poverty as explicated in chapter three (increased cost, which cannot be adjusted by price setting, as producers have no control over price) or diversify into other areas of production. The first option in Boserupian theory is considered the likely option, but as stated in chapter three, Ester Boserup had food crops in mind. In a cash crop production system, agricultural intensification is not the first option because there is the possibility of diversification into another cash crop – palm oil or rubber for example. In West Africa, however, political elites are partly responsible for this decision, due to the centralised nature of the cocoa sector. Political elites are in turn influenced by outside forces and Lomé convention, through the protection of cocoa through tariff and price advantages, led ruling elites to promote the continued cultivation of cocoa into post-diminishing returns.

#### **Lomé and Evidence of Diminishing Returns in Ghana and Côte d’Ivoire**

In a 1967 study, Samir Amin explained the difference in growth rate between Côte d’Ivoire and Ghana in terms of the abundance of unused forestland in the former (Amin, 1967). In a 1971 comparative study, Reginald Green argued along similar lines, stating that Côte d’Ivoire in the 1960s was “rather analogous to Gold Coast of 1900” in terms of the availability of forestland (Green, 1971: 235). These writers attempted to attribute the difference in growth between Ghana and Côte d’Ivoire to diminishing returns in the former and abundant forestland in the latter. In a 2013 study, Erik Green showed that the exhaustion of forestland in Ghana was responsible for its production slump after 1965 (Green, 2013).

In Ghana, cocoa output decreased from 580,000 tonnes in 1964/65 through 470,000 tonnes in 1971/72 to about 326,000 tonnes in 1976/77. Throughout this period, producer prices moved in the opposite direction. By 1982/83, cocoa output was about 159,000 tonnes (Kolavalli and Vigneri, 2013: 204). Ghana’s cocoa output was thus falling precipitously when the Lomé Convention was signed. In the same period, Ivorian cocoa output moved in the opposite direction: production increased from 149,000 tonnes in 1965 to 470,000 tonnes in 1981/82. As a result, Côte d’Ivoire replaced Ghana as the world’s leading cocoa producer in 1976/1977. The share of Ghana’s output in the total world volume of cocoa decreased from 36 percent in 1965 to 17 percent in the early 1980s.

The standard explanation of the decline of Ghana’s cocoa output is based on macroeconomic factors (Kolavalli and Vigneri, 2013; Bulír, 2002), such as the overvaluation of the Ghanaian cedi in the 1970s and the relatively higher producer prices in neighboring countries (Kolavalli and Vigneri, 2013: 204). However, according to FAO, there was a “relation between soil fertility and cocoa production” (FAO, 2004: 8). Methodical examination reveals that the low yield of cocoa per ha in Ghana from the 1960s cannot be attributed to macroeconomic factors. The low yield can only be attributed to the high incidence of pests and diseases. François Ruf calculated that Ghana had the world’s lowest cocoa yield in the early 1970s: about 330 kh/ha, which was 40 percent less than Côte d’Ivoire’s and Brazil’s yield, respectively; 58 percent less than Malaysia’s yield; and 70 percent less than Indonesia’s yield in the same period (Ruf, 1995: 193). This phenomenon cannot be explained by price differences.

As cocoa output per ha in Ghana was 100 percent lower than that of Côte d’Ivoire in the 1970s, cultivation was already problematic—regardless of prices—at the time of the Lomé Convention. In 1979, for example, 784,000 ha produced approximately 400,000 tonnes of cocoa in Côte d’Ivoire, whereas 1.2 million ha were required to produce 277,200 tonnes in Ghana (see Figure 1). Although ordinarily the greater harvested area contained more farmland and more production factors, these were not reflected in the output. This is an example of diminishing returns (Ruf, 1995; Appiah, 2004).

Figure 6. 2. Relationship between harvested area and output in Ghana and Côte d’Ivoire from 1971 to 1984



Source:FAOSTAT 2016

As the figure shows, Ghana cultivated cocoa on an area of land doubling that of Côte d’Ivoire in the 1970s, but the output did not reflect this difference, due to diminishing returns. The Ghanaian government made no attempt to reverse this trend; instead, it tried to diversify away from cocoa in 1971 and 1976. It can be argued that the political problems in Ghana from the 1960s to the 1980s were at least in part due to the production/ price crisis in the cocoa sector. The previous chapter showed how the fall in cocoa prices in 1961 and 1971 led to a political crisis that prompted successive governments to diversify. The attempt to diversify was essentially a search for new bases for political rule, given the link between economic and political stability in Africa.

The interaction between the Lomé Convention and the survival of political elites oriented Ghana’s incentive structure toward the promotion of products protected in the EC market, including cocoa. However, the Lomé Convention did not immediately affect economic incentives in Ghana as it did in Côte d’Ivoire and other former French colonies (in the case of sugar, for example), partly due to the novelty of the trade system for Ghana’s political elites. From the 1980s, however, the Lomé trade advantages provided a basis for resource allocation. The Economic Recovery Program (ERP) launched as a structural-adjustment package in 1983 led the government to select sectors for development based on protection offered under the Lomé Convention. The production of bananas, pineapples and tuna and the rehabilitation of cocoa were the main objectives of the Ghanaian development/diversification scheme in the 1980s. It can be argued that the EC trade advantages had a crucial influence on the decision to diversify into bananas and pineapples (and coffee, although this sector did not materialise). However, this cannot have been entirely the case in the cocoa sector, due to Ghana’s long history of cocoa production.

The rehabilitation of the cocoa sector started in 1983 under the ERP scheme. The government increased producer prices and compensated planters for removing infected trees and planting new crops. It distributed and subsidised fertilisers and provided other chemical inputs to help cocoa planters to deflate the effects of diminishing returns. The government also encouraged expansion into previously preserved forestland and developed a new hybrid variety of cocoa in 1984, which led to a change in cultivation method to un-shaded cultivation (rapid exploitation). Whereas the shaded method required five years before harvest, the new variety of cocoa tree yielded fruit in three years (Kolavalli and Vigneri, 2013: 204). The hybrid cocoa tree was cultivated by applying chemical inputs such as fertilisers and increasing the use of labor. Some of these inputs were distributed to planters by the government. By 1995, productivity had increased from 210 to 410 kilograms per hectare, and output had risen to 400,000 tons.

As Kolavalli and Vigneri argued, the effect of forestland depletion was offset by an increase in the use of fertilisers and pest-/disease-control measures. This is a situation of agricultural involution; however, the government assumed some of the extra cost. For example, the government assumed the responsibility for annually spraying all Ghanaian cocoa farms, at no direct cost to planters. In essence, the Ghanaian government managed the effects of forest depletion by helping planters to distribute fertilisers and control pest and disease (Vigneri, 2007: 2). Therefore, the burden of agricultural involution (increase in input use) was partly shifted to the government and a collection of NGOs (including the EU) that assisted in mass spraying and the distribution of fertilisers (see Glin et al., 2015).

The decision to revert to cocoa production was determined partly by the Lomé trade convention, like other diversification schemes in the 1980s (into tuna, coffee, pineapples and bananas) (Leite et al., 2000: 17; Commission of the European Communities, 1997: 53), and partly by the World Bank’s rehabilitation scheme. Attempts to diversify away from cocoa were made at times of crisis—most famously in 1961 and 1971, but also in 1977. There is no mathematical means of ascertaining the extent to which the EC advantages (especially through STABEX) affected the reversion to cocoa production. However, all of Ghana’s diversification schemes in the 1980s—into pineapples, bananas and coffee, as well as the return to cocoa—were influenced by EC trade advantages (see Leite et al., 2000: 16-20).

The cocoa-revitalisation program, which was partly funded by the EC’s country-specific development program, was shaped by the STABEX disbursement pattern. In terms of price stabilisation, 10 ACP countries received 73 percent of the entire STABEX funding between 1975 and 1993. Ghana and Côte d’Ivoire were the main recipients, due to their concentration on the two crops most favored by STABEX: cocoa and coffee (Aiello, 1999: 6). More than 57 percent of the STABEX funding was allocated to cocoa and coffee. Indeed, it has repeatedly been observed that the Ghanaian government attempted to diversify into coffee production in the 1980s due to the STABEX disbursement pattern (UNCTAD, 1991; ICO, 2000; Ghana Cocoa Board, 2000: 46). Ghana, Cameroon and Côte d’Ivoire received more than 75 percent of the funds disbursed to cocoa between 1975 and 1999 (Aiello, 1999: 6). Between 1975 and 1998, Côte d’Ivoire received more than 17 percent of the entire STABEX funding (Aiello, 2012: 13). Together, Ghana and Cameroon received about 68 percent of the entire STABEX funding for cocoa (*ibid*.). Although STABEX is normally assessed in terms of its effects on the balance of payments, it also affected government decisions on the selection of industries for development and continuation during price and production crises.

Some ACP countries attempted to diversify into products favored by STABEX. For example, Senegal, Benin, Burkina Faso and Guinea diversified into cocoa (see Orjiako, 2000; Raffer and Singer, 2001: 112). From the mid-1980s, the new Ghanaian political elites sponsored Ghana’s export system on the basis of the EC’s trade advantages. This may have contributed to political stability, given the link between economic and political conditions in West Africa. However, the specialisation directed by the EC advantages were all problematic.

In Côte d’Ivoire, the government subsidised local cocoa prices for the better part of the 1980s in line with the STABEX disbursement pattern. From 1985 to 1989, for example, the international prices of cocoa fell precipitously, but the government of Côte d’Ivoire continued to pay high prices to local producers; prices that exceeded world-market levels. The World Bank submitted in a report that the Ivorian government’s “insistence on maintaining high producer prices against declining world prices in the late 1980s bankrupted the cocoa marketing system” (McIntire and Varangis, 2001: 12). In essence, however, the government of Côte d’Ivoire was merely responding to delayed STABEX payments by attempting to subsidise producer prices in the expectation of repayment by the EC **.** The government thus promoted the existing trade system and prevented changes due to the EC’s trade advantages. The link between the EC trade advantages and the government’s promotion of particular sectors perpetuated production beyond the point of diminishing returns. In contrast with the situation in Ghana, where NGOs and the government deflated extra costs to producers, diminishing returns in Côte d’Ivoire caused changes in labour arrangements and increased poverty among cocoa planters.

Cocoa production in Côte d’Ivoire reached the point of diminishing returns in the 1990s (Ruf and Schroth, 2004: 112). Recent research has indicated that among other effects, cocoa farmers have been made poorer by the increasing cost of production. Of the 6 million people in Côte d’Ivoire (about 700,000 smallholder families) who depend on cocoa for their income, the World Bank estimates that more than 60 percent live below the poverty line (more than 28 percent of all impoverished citizens in Côte d’Ivoire), compared with less than 10 percent in the 1960s/1970s, despite the ongoing increase in cocoa prices since 2005 (World Bank, 2013: 3). The widespread use of slave/child labour in the Ivorian cocoa sector has also been reported. These practices were completely absent from the country until the 1990s (World Bank, 2013: 6). Several researchers have demonstrated the increasing need for labour in Côte d’Ivoire since the 1990s. According to one estimate, the entire labour investment in replanting was 260 days per hectare, as opposed to 74 days per hectare for planting with forestland (Ruf and Schroth, 2004: 112).

Extra labour input not accompanied by an increase in prices amounts to an increase in production costs, impoverishing cocoa planters. Since the mid-1990s, there has been a marked increase in the area harvested relative to output in the Ivorian cocoa sector. For example, 1,401,101 tonnes of cocoa were produced in 2000 (FAO, 2015), which exceeded output in 2007, 2008 and 2009 by at least a factor of 200,000; but the area harvested in 2007, 2008, and 2009 increased by a factor of 250,000. Two million hectares of Ivorian land produced 1.4 million tonnes of cocoa in 2000, but by 2013 it took 2.5 million hectares to produce roughly the same amount of cocoa. The increase in harvested land relative to output is evidence of agricultural involution (an increase in input to deflate diminishing returns).

Post-forest cocoa cultivation in Côte d’Ivoire can be studied in three key dimensions: first, the conversion of old and abandoned coffee farms to new cocoa farms (another limited resource); second, increased labor; and third, increased fertiliser use. As fertilisers are often expensive, and Côte d’Ivoire, unlike Ghana, has no government-sponsored subsidization scheme, farmers have to focus on replanting and increasing their use of labor. Although some farmers have been reported to have left the cocoa sector as a result of the increased cost of cultivation, the government—teaming up with the World Bank—has twice (in 1999 and 2013) proposed reforms to revise the production process and revitalise the sector. The World Bank argued that the problem with the cocoa sector was excessive government intervention. The sector became partly privatized in 1999, but when the problems persisted, the World Bank and the IMF called for another reform. This reform was finally introduced in 2012/2013 with the aim of increasing producer prices and using networks to persuade farmers to continue cultivating cocoa.

The problem of child labor, which has been described as a novel outcome of recent problems in the cocoa sector (World Bank, 2013: 6), has been misdiagnosed as the result of structural adjustment and privatization. Researchers have mainly focused on trade-liberalisation programs as the causes of child labor/slavery in the cocoa sector, particularly the liberalisation of the cocoa marketing board in 1999, which brought private investors into the system (International Labor Rights Fund, 2004; Ould, 2014; Fell, 2009). Their argument takes the following form: in 1999, after the liberalisation exercise, cocoa prices dropped to a 10-year low, and some farmers stopped paying their employees as a result (Blunt, 2000). Owing to deregulation, which brought in foreign investors in search of profit, child labour was the only way for the sector to survive. However, this argument is incorrect in every respect, betraying the lack of intellectual dialogue between social-science disciplines. Although environmentalists have shown that forestland in Côte d’Ivoire has been exhausted (Clay, 2003: 126), and that replanting increases labour requirements (Ruf and Schroth, 2004: 112), political economists continue to reiterate the market argument concerning the level of government intervention. However, there is no possible link between privatization or neoliberalisation and the increase of child labour in Côte d’Ivoire. The privatization exercise did not even affect producer prices after 1999.

Figure 6. 3.Producer prices for cocoa beans (USD) in Côte d’Ivoire, 1993-2003



Source: FAOSTAT 2016

As the figure shows, there was an increase in producer prices after the privatization exercise in 1999. Although the price reduction came much later, in 2004, prices have constantly increased to date since 2005. The only way of explaining the shift in labour arrangements to child/slave labour (unpaid) is a change in the production system, not a shift in the price system or a move toward privatization. Moreover, although Côte d’Ivoire cultivates coffee and palm oil as well as cocoa, the issue of child labour has only arisen in the cocoa sector.

In most cases, the rise of “modern” slavery in Côte d’Ivoire has been explained in terms of modern capitalist development. Kevin Bales set the tone of this argument in his book *Disposable People: New Slavery in the Global Economy*, in which he attributed modern slavery to population growth and modernisation (Bales, 1999: 12). Bales argued that excessively large populations cause slavery of all kinds. Countries flooded with children provide a potential opportunity for child slavery. However, this argument does not apply to Côte d’Ivoire, as Ivorian planters usually buy children from neighboring countries (mostly Mali and Burkina Faso) to meet their labour needs. Agricultural involution provides the only reasonable explanation for the increase in poverty and child labour in the cocoa sector (Odijie, 2015).

The immediate effect of diminishing returns in Côte d’Ivoire was a sharp decline in school enrolment in farming communities (Haddad and Narayana, 2008: 25). Cocoa planters withdrew their children from primary schools to help plant cocoa. Later, planters began to acquire children from neighboring countries. Researchers at Tulane University estimated that 819,921 children were working in the Ivorian cocoa sector alone during the 2008-2009 harvest season (US Department of Labor, 2014).

To return to the issue under study: Ghana’s response to diminishing returns differed from that of Côte d’Ivoire. After the revitalisation program of the mid-1980s, the government instituted a system to assist cocoa planters, thereby deflating some of the extra production cost. In 1999/2000, the Cocoa National Disease and Pest Control Committee was established with help from foreign partners: NGOs and donors. This organisation conducted a nationally coordinated spraying program under which the Ghana Cocoa Board (COCOBOD), through a network of regional offices, arranged the spraying of all cocoa fields at no cost to producers (Kolavalli and Vigneri, 2013: 204; ODI Project Briefing, 2007: 2-4). The government has continued to spray farms on a yearly basis and distribute fertilisers. These services are partly provided by NGOs (including but not limited to EU aid). In a complete analysis, it is possible to imagine that Ghana would not profit from cocoa production if the cost of spraying and other “free” inputs were included in the overall production cost.

For example, in 2001/2002 the government spent 32 million dollars on mass spraying (Naminse et al., 2011: 3) and the export value of cocoa was 246.7 million dollars in the same year (*ibid.*: 9). In the same year, the producer share of the world market was roughly 50 percent **(**Diao et al., 2007: 12). This excluded administrative and transportation costs, which the World Bank estimated to be around 28-32 percent of the world-market price. In a rough estimate, the government spent almost all of the revenue it obtained from taxing cocoa on assisting the sector. Furthermore, with continued diminishing returns, the input required (number of sprayings, for example) increased with time. At the beginning of the mass-spraying exercise, farms were sprayed three times annually; by 2009, this number had increased to five (three sprayings between June and October for blackpod and other diseases and two between August and September for mirids and other insects) (Naminse et al., 2011: 4). In 2011, mediated by COCOBOD, which was in charge of the spraying exercise, the government sought consultation for phasing out the program due to its increasing cost (Obour, 2011). After due consultation it was suggested that the sector could not survive at an optimal level in the absence of the spraying services.

Côte d’Ivoire is at least two decades behind Ghana in respect to the exhaustion of forestland. A considerable number of cocoa farmers in Côte d’Ivoire have recently ceased to plant/cultivate the crop in favor of more lucrative farm products, due to diseases, pests, decreased yield and the arduous process of harvesting (Blas, 2010; Ford et al., 2014; World Bank, 2013). On the recommendation of the World Bank, the government of Côte d’Ivoire recently reformed the cocoa sector for the second time, creating a new regulator, the *Conseil du Café-Cacao*, which focused on improving the price deals available for cocoa farmers. The government also employed local networks to persuade planters not to leave the sector. The market argument—that of price distortion—is still considered to explain the problems with cocoa cultivation under the World Bank’s guidelines. In 2013, forecasts of falling output led chocolate factories to hand out fertilisers to Côte d’Ivoire’s cocoa farmers and collaborate with the government to ensure supply. This led to a slight recovery in output, but the country’s cocoa yield is still very low. Barry Callebaut, Mars Inc. and Cargill collaborated to encourage fertiliser use in Côte d’Ivoire, but their assistance was a loan, not a gift. Cocoa farmers received 20,000 tonnes of selected cocoa fertiliser to help boost yield and prevent the predicted fall in 2014, Larger volumes of fertiliser were distributed in 2014 and 2015, in line with increasingly severe projections of decline.

In conclusion, the cocoa case study is important for two reasons: (1) it shows that the EU-Africa trade model risks protecting existing economic systems in which production factors are not static and therefore indirectly leading to mass poverty due to changing input; and (2) it demonstrates the need to diversify away from cocoa. Without diversification, the planting system will require more government assistance (as in Ghana), or poverty will increase among cocoa planters (as in Côte d’Ivoire). The relationship between the EU trade system and diversification is the subject of the next chapter, which investigates the trade system instituted in 2000. The trade system devised by the EU to replace the Lomé Convention was a free-trade system that denied the policy space required for diversification and thus locked both countries into maintaining their current production systems. The continued production of cocoa amounted to the intensive production of cocoa.

The Lomé trade system was not completely responsible for the perpetuation of cocoa production beyond the point of diminishing returns. Programs for rehabilitation formulated and sponsored by the World Bank in Ghana in 1983 and Côte d’Ivoire in 1999 and 2013 also played a key role in ensuring that cocoa production was maintained beyond the point of diminishing returns. However, there is a direct link between the trade advantages (STABEX and tariffs) and the governments’ continued promotion of the protected products. Michal Davenport argued that this link is mainly psychological (Davenport, 1992: 45). There is evidence to suggest that a complete government withdrawal from the sector would amount to macro diversification in line with the historical pattern of cocoa cultivation (Ruf and Siswoputranto, 1995: 35; Ruf and Yoddang, 2004: 155; Delawarde, 1935: 103).

In Ghana, the government’s decision to resume its promotion of cocoa in the mid-1980s was made alongside some diversification attempts (see below). Products were selected for diversification (coffee, bananas, pineapples, etc.) on the basis of EC trade advantages. These products were, and remain, uncompetitive and suboptimal; and they are not viable outside the EC market. Their inclusion in the Ghanaian diversification scheme of the 1980s (the same scheme that revitalised cocoa sector) was wholly due to the EC’s trade advantages. In Côte d’Ivoire, however, the trade system simply continued the previous specialisation pattern. In short, Ghana’s diversification attempts in the 1980s all involved products that the EC had protected in Côte d’Ivoire since the inception of the trade system. Ghana thus aligned its specialisation with that of Côte d’Ivoire after the Lomé Convention by returning to cocoa and attempting to diversify into other products formerly and still protected by the EC. The main effect of the Lomé Convention, therefore, was to distort the political calculations that underpinned economic policy making in terms of the selection of sectors for development – this is extraversion. Political incentives were completely altered in Ghana after Lomé convention, and previous distortions were perpetuated in Côte d’Ivoire. Sectorial problems, such as diminishing returns and sector uncompetitiveness, were not factored into the political decision to promote export products supported by the EC.

The cocoa case study has demonstrated the problematic nature of cocoa sector and has argued that the continuation of cocoa production beyond the point of diminishing return is a function of ruling elites’ control over the sector and the influence of the EU trade system on the political decisions. The next section documents the convergence between Ghana and Côte d’Ivoire in their concentration on other suboptimal production systems promoted by the EC.

## Convergence in Sub-Optimal production

Just as Côte d’Ivoire and other former French colonies diversified into sugar, a product formerly protected in the British colonies and adopted in the Lomé Convention, Ghana and other former British colonies diversified into products protected in the French colonies (with protection extended in the Yaoundé and Lomé trade systems), regardless of their viability. “Suboptimal” export products are those not viable outside the EC’s protected zone. In Ghana, the exportation of suboptimal commodities, such as bananas, pineapples, processed fish and courgettes, which comprised less than 1 percent of the country’s total exports in 1980, had increased to 23 percent by 1997 (Leite et al., 2000: 17). At the end of the Lomé Convention, Ghana was the most dependent on the EC trade advantages (which covered 67 percent of its exports) of 79 ACP countries. It was followed by Kenya, and then Côte d’Ivoire, with a 54-percent dependence (ODI, 2007: 8; Munyi, 2015: 54). These suboptimal sectors were uncompetitive; there was no real prospect for their development outside the EC-protected area, and their survival depended on the continuation of trade and price advantages. However, they offered political elites a near-guaranteed economic basis for survival.

I briefly describe the pineapple, banana and fishery sectors to illustrate the convergence between Côte d’Ivoire and Ghana in suboptimal production systems. The production of pineapples and bananas in Côte d’Ivoire arose from the French colonial system. Côte d’Ivoire had no advantage in either product, both of which received a market and price advantage in the late colonial era and during Yaoundé convention, Ghana’s decision to diversify into pineapples and bananas was a potential resource misallocation because it has no production advantage in both products. Nevertheless, political elites in West Africa continued to promote these products due to the trade advantages offered by the EC.

Pineapples

The pineapple sector in Côte d’Ivoire originated as a colonial experiment; production was mainly in the bailiwick of French plantation owners in the late 1950s and early 1960s. France initially provided a market for the sector through a preferential-trade system (World Bank, 1963: 2). Economic considerations in the form of sector viability or domestic endowment in production factors did not apply to the sector. The entire output was sold in France at prices sometimes twice those of the world market (World Bank, 1967: annex 4). The preferential market provided by France was extended to other EEC member states under the 1963 Yaoundé Convention. In 1970, therefore, Côte d’Ivoire was responsible for about 70 percent of the pineapples imported by the EEC Six (Belgium, France, Italy, Luxembourg, the Netherlands and West Germany) (Tuinder, 1978: 222). The volume of canned pineapple exported from Côte d’Ivoire rose from 12,800 metric tons in 1965 to 59,257 in 1974, and that of pineapple juice increased from 7,820 to 15,551 metric tons in the same period, due to the expansion of the export base.

Prompted by the government, local Ivorians joined the sector in the 1960s. The government initially attempted to emulate the semi-plantation structure of pineapple cultivation instituted by the French by promoting pineapple processing and constructing a medium-/large-scale plantation system. By the mid- to late 1970s, the sector was primarily managed by Ivorians, and comprised mainly government-controlled processing plants built for medium-scale production and exportation. However, the Ivorian pineapple sector did not exist outside the protected zone of the EEC. Tuinder calculated that without this protection (a 20-percent tariff wall, for example) and these price advantages, it would be impossible for the sector to survive, due to competition from more competent pineapple producers in Asia and Latin America.

The Lomé Convention did not create a special scheme for pineapple production; it simply extended the existing scheme. The suboptimal nature of the Ivorian pineapple sector first became obvious when the EC modified its tariff structure, reducing protection from competition with Asia and Latin America countries. This led to the extirpation of one segment of the Ivorian pineapple sector.

In anticipation of the accession of Spain and Portugal, the EC modified its canned pineapple regime to the General System of Preferences (GSP) scheme. The tariff on canned pineapple was reduced to 10 percent for non-ACP (i.e. GSP) members (GATT Proceedings, 1984: 83; EEC memorandum, 1985: 10). The decreased tariff increased the importation of pineapple products from Latin America and East Asia, thereby displacing the Ivorian pineapple. Côte d’Ivoire’s processed-pineapple sector had virtually disappeared within only 5 years of the tariff adjustment. The export quantity of canned pineapple decreased from 66,000 tonnes in 1980 to a mere 200 tonnes in 1989. Pineapple-juice exports decreased from 45,000 tonnes in 1980 to a mere 150 tonnes in 1989. Figure 2 charts the growth and decline of Ivorian processed pineapple from the 1960s to 1989.

Figure 6. 4. Côte d’Ivoire processed pineapple, 1961-1989



Source;FAOSTAT 2016

The increase in the 1960s was due to increased market advantages under the Yaoundé trade system (Tuinder, 1978: 222). The extirpation of processed pineapple began in the early 1980s and ceased in 1983/84, followed by a final decline towards the end of the decade. This movement was due to the two installments of the EEC tariff reduction (EEC memorandum, 1985: 10). For some scholars, however, the complete extirpation of the pineapple-processing industry in Côte d’Ivoire remains a mystery. The standard argument is that the structural-adjustment programs (SAPs) of the 1980s reduced government support for the industry (Gorman and Webber, 2010: 97). But in essence, there was no link between the SAPs and the pineapple sector. Canned pineapple from Thailand and other Asian countries displaced Ivorian canned pineapple in the EC market as soon as the tariff reduction was effected (Minot and Ngigi, 2004: 76). As the EC’s protection of fresh pineapple was unaltered, there was therefore a change in export type in Côte d’Ivoire from the late 1980s (Haggblade and Hazell, 2010: 197). When Ghana’s government decided to diversify into pineapple production in the mid-1980s, it focused on fresh pineapple.

The Ghanaian Agricultural Diversification Project of 1980s listed pineapple as a product for development, with the EC as its destination but studies showed that the region was not competitive in the product (Danielou and Ravry, 2005: 27). The first phase of the program was implemented between 1987 and 1990, and the second between 1991 and 1998 (Gatune et al., 2013: 13). The Ministry of Trade and the Ghana Export Promotion Council administered the program; the World Bank funded the Agricultural Diversification Project; and USAID contributed to the scheme. Planting materials were borrowed from Côte d’Ivoire, and the EC provided aid and technical assistance for the sector (Gatune et al., 2013: 13).

However, it was amply demonstrated in the 1980s that Ghana could not possibly build an advantage in the pineapple export sector due to issues relating to factor endowment (nature of soil) and production costs (Wilson, 2007; Ouma, 2015: 68). The decision to diversify into pineapple production was based solely on the EC’s trade advantage. Ghana focused on producing Smooth Cayenne pineapples (the same variety exported by Côte d’Ivoire to the EU). Private companies and cooperatives dominated the production system, with direct financial and technical support from the government for transport, research and other areas of production.

The Ghanaian pineapple sector initially enjoyed an advantage, as low transportation costs made it more competitive than its Ivorian counterpart. Empty cargo holds were used to transport the product, which drastically reduced cost and shipment time (Gatune et al., 2013: 13). Cargo airplanes in the practice of delivering parts and equipment to oilfields in Nigeria and then flying empty north to Europe were commissioned to deliver the pineapples. This created several advantages for the fledging sector. First, Ghana was able to exploit non-traditional markets in Europe, according to the destination of the cargo airplanes. Unlike Ivorian exports, which were sent to long-standing markets in EC countries, Ghana’s pineapple exports supplied markets in the periphery of the EC. Jean-Michel calculated that the overall reduction in cost relative to Côte d’Ivoire’s exportation was US$0.15 per exported kilo for much of the 1990s (Voisard and Jaeger, 2003: 40). During the early stages of pineapple development, the product was transported solely by air (Danielou and Ravry, 2005: 11). Pineapple exports from Ghana to the EC increased by an average of 70,000 tonnes between 1997 and 2001 (FAOSTAT), while Ivorian exports of raw pineapple averaged 240,000 tonnes.

A slump in the production and exportation of West African pineapples occurred in 2002, after the EU changed its market structure. Between 2002 and 2009, Ivorian exports plummeted from 250,000 tonnes to 31,000 tonnes (World Bank, 2012: 11), and Ghanaian exports plunged from 65,000 tonnes to 16,000 tonnes (Gatune et al., 2013: 13).

Like the reduction in processed-pineapple exports in the 1980s, which was incorrectly explained as an outcome of the SAPs, the decline in West Africa pineapple exports in the 2000s has received several specious explanations. The World Bank, for example, argued that the demise of Ivorian production was due to tougher product standards, greater traceability and the aggressive pineapple-producing campaign implemented in Latin America (World Bank, 2012: 11). In search of other explanations, the International Trade Commission argued that political crisis in Côte d’Ivoire at the beginning of 2002 led to the demise of the sector due to the obstruction created by the conflict (2008: 245). However, the World Bank’s argument regarding traceability is meaningless, and the aggressive campaign implemented in Latin America was the outcome rather than the cause of the production crisis.

Figure 6. 5. Number of fresh pineapples exported from Ghana, 1995-2010.

Source:FAOSTAT:2016

Figure 6. 6. Côte d’Ivoire’s fresh pineapple production, 1975-2012.



Source:FAOSTAT 2016

The decline in exports has also been attributed to a change in the pineapple variety demanded in the EU (from Smooth Cayenne to MD2) in the early 2000s (Whitfield, 2012; FAO, 2009; Ouma, 2015: 178; Kleemann, 2011; Gatune et al., 2013: 15). Scholars have argued that West African governments found it difficult to alter cultivation accordingly. However, this argument is only partly accurate, as the variety change was an epiphenomenon of the reduction of pineapple tariffs to 2.3 percent in 2001/2002.

The immediate outcome of the decrease in GSP (“Generalised Scheme of Preferences" is the duties which developing countries have to pay to export to the EU) was a price reduction of 22 percent in the EU pineapple market (CBI, 2006: 8). Pineapples from Latin American countries were available at a significantly lower price than those from other sources due to Latin America’s capitalist production system and comparative advantage. The rapid transition to a new variety of pineapple (MD2) in Ghana did not reverse the decrease in the country’s market share caused by the removal of certain protective measures (Gatune et al., 2013: 15). Gatune et al. compared the profitability of Ghana’s and Costa Rica’s pineapple sectors, and found that Costa Rica’s profitability margin was more than triple that of Ghana (see Gatune et al., 2013: 21). Comparative cost structure analysis conducted by Danielou and Ravry (2005) yielded similar results for Côte d’Ivoire.

Pineapple was never a lucrative sector in West Africa, due to a lack of factor endowments in terms of soil requirements (Gough and Fold, 2009: 63). The decision to focus on the product was due to the EC’s trade advantages and the EDF. Costa Rica was almost absent from the world pineapple market until about the late 1980s, and began exporting to Europe in the late 1990s. Costa Rica is now by far the largest pineapple exporter to the EU (CBI Market Information Database, 2014: 6). Its share of the EU pineapple market had grown to 82 percent by 2012, while that of Côte d’Ivoire decreased from 95 percent in the early 1990s to 3 percent in 2012 (*ibid*.).

The pineapple sector in Côte d’Ivoire and Ghana is representative of the entire range of diversification efforts in the 1980s. Some diversification attempts, such as coffee, were unsuccessful, whereas others, such as bananas, succeeded. Côte d’Ivoire’s banana producers have enjoyed preferential treatment since the late 1950s, and the product cannot survive outside this market. Ghana diversified into banana production in the 1980s, based on the EC’s market advantages. The main difference between pineapples and bananas is that the protection of bananas has not changed.

Bananas

Bananas are a significant export product in Côte d’Ivoire and Ghana. The case of banana production replicates that of pineapple production (as described above) up to the point of a change in the GSP tariff. The current EC GSP tariff rate for bananas is 19.4 percent, compared with 2.3 for pineapples (EU, 2014). Therefore, ACP bananas receive greater protection than ACP pineapples. Côte d’Ivoire produced and exported 98,000 tonnes of banana at the point of independence (Tuinder, 1978: 17). The French Cooperation Agreement of 1961, which disconnected Ivorian raw materials from world-market prices, offered guaranteed prices and a guaranteed market for Ivorian bananas. France prioritized Ivorian bananas in a managed banana regime under the Yaoundé Convention. As late as 1975, more than 60 percent of Côte d’Ivoire’s banana farms were still under the direct control of French farmers (Singh, 2008: 140). Market considerations were completely immaterial to the production and exportation of the product.

The Banana Protocol instituted under the Lomé Convention mandated duty-free imports and quotas for Ivorian bananas (Matthews, 2008: 16). The protocol promised that “[a]s regards its exports of bananas to the EC, no ACP State will be placed, as regards access to the markets and market advantages, in a less favourable situation than in the past or at present.” In practice, this authorized certain EC member states with traditional non-ACP banana sources (such as the United Kingdom and Italy) to restrict the importation of non-ACP bananas (Bartels, 2009: 735). The EC countries thus paid more for ACP bananas, due to the restrictions on cheaper imports from Latin America. After the Lomé Convention in 1977, however, the lack of competitiveness of Ivorian bananas, as well as those from other former French colonies, became obvious, especially to the new EC members. Ivorian bananas sold for 319 ua per tonne, whereas bananas from the rest of the world sold for 263 ua per tonne (Ravenhill, 1985: 248).

The EEC’s banana regime changed in 1992/93, after the transition from the European Community to the European Union. The quota system was removed and ACP bananas were allowed to circulate freely, whereas non-ACP bananas came under a tariff and quota system; this led to an increase in the export market. Since 1993, the EU Banana Regime, or the Common Organisation of the Market in Bananas (COMB), has been one of specific tariff protection (a fixed charge per unit of imports) against non-ACP bananas. The 1993 transition to the European Market, in which the EU harmonized its banana market, affected production patterns in ACP countries. The EU included bananas in STABEX after the transition, increasing the security of West African banana producers. Ivorian banana production increased almost threefold within only a few years of the new regime, from 140,000 tonnes in 1990 to 316,000 tonnes in 1999 (FAOSTART). About 85 percent of Côte d’Ivoire’s banana exports have been directed to the EU through the quota system and free tariff system, with about 20 percent for home consumption (this figure is assumed to include some unregistered subsistence cultivation). Before the 1993 change in the banana system, and the introduction of bananas to the price-stability scheme, Ghana (along with a number of other West African countries) developed an interest in the product in order to exploit the EC market advantage. Ghana’s banana sector was created virtually from scratch in the late 1980s during the pineapple diversification scheme. The Dutch company VREL established a yearly local purchasing contract with local producers with the help of the government’s diversification scheme (European Union, 2012: 7).

However, agro-economists have argued that the Ghanaian soil is not optimal for the production of bananas. Data on production costs (obtained in 1997) reveal the competitive disadvantage of Côte d’Ivoire and other ACP producers (adapted from OECD, 2007 as reported from Vanzetti et al). Without the EC’s trade advantage, it is unclear whether the government of either Côte d’Ivoire or Ghana would encourage specialisation in bananas. Whereas Ecuador and Costa Rica spend around 170 USD to produce one tonne of bananas, Côte d’Ivoire spends about 450 USD, and Ghana spends a quarter more (Vanzetti et al., 2005: 4). The concentration in bananas is therefore a potential resource misallocation, similar to the misallocation revealed in the pineapple sector after the EC altered its GSP scheme.

Fisheries

The EC tuna market is protected by a 20.5-percent GSP preference and a 24-percent MFN preference. The original Lomé Convention of 1975 made no specific provision for fisheries. Fisheries were included in the framework of the Lomé Convention in 1983 (Bellec, 1991: 10), due to the adoption of the United Nations Laws of the Sea in 1982, and the recognition of Exclusive Economic Zones (EEZs). Under the UN’s Laws of the Sea, a coastal state has sovereign rights over the exploitation, conservation and management of non-living and living resources within 200 miles of the baseline of its territory. The 1982 law forced industrialised countries to rapidly find new fishing sources by signing agreements with coastal countries in the global south. As a result, the US and the EC made agreements on fisheries with less industrial coastal countries after 1982, leading the EC to include fisheries in the Lomé Convention (Lomé III).

During the same period, Spain and Portugal, two countries with substantial fishing industries, entered the Common Market. Therefore, the EC introduced an agreement with the ACP coastal states that included financial compensation and the provision of technical and economic assistance for the development of their fish export sectors. Unlike other branches of the Lomé Convention, the fishery agreements were signed bilaterally, and covered a five-year period. The diversification into processed fish in Côte d’Ivoire and Ghana originated from the 1983 Lomé fisheries provision. Côte d’Ivoire and Ghana became net tuna exporters to the EU in the late 1980s. However, foreign-owned companies, mostly from the EC, now dominate the sector in West Africa, due to the EC’s increased product standards (FAO, 2004: 23).

The EC market is the mainstay of the Ivorian tuna sector and the four canneries attached to it. Exportation has fluctuated between 40,000 tonnes and 55,000 tonnes of tuna from early 1990 to 2012, and no Ivorian tuna is sold outside the EU market (FAO, 2004: 23; EU, 2012). In essence, apart from the existing export systems protected by the trade agreements, fish is the most successful product introduced in Côte d’Ivoire under the Lomé Convention (the other product, sugar, failed). Although there is limited scope for the growth or proper development of the sector, Côte d’Ivoire’s diversification into fish can be considered a success (Witbooi, 2011: 12). Indeed, it is the first real case of a sector created by the trade and development policy of the EU, since its inception, and its success in Côte d’Ivoire was due to the circumstances (the bilateral fisheries agreement) surrounding the policy on fisheries.

Côte d’Ivoire’s fisheries sector is slightly different from Ghana in this sense – because the EU does not have a bilateral agreement with Ghana. The tuna sector in Ghana is dominated by Japanese companies, due to an earlier attempt to develop the sector under Nkrumah in the 1960s. This slight difference created a divergence in the development of Ghana’s and Côte d’Ivoire’s tuna sectors. Unlike Côte d’Ivoire, which had no significant fishery sector before 1983, Ghana made serious attempts to modernise its fisheries in the 1960s. The Nkrumah administration signed an agreement on fisheries with Japan in 1959, and a significant percentage of the population of Ghana has historically either fished for food or sold fish as a small-scale commercial product **(**Nunoo et al., 2014: 11**).** Semi-industrial fleets supplying the home and regional market operated in Ghana’s and neighboring waters in the late 1960s and 1970s. Although informal, therefore, a fish export sector existed before the EC’s fisheries policies in 1983. The EC did not sign a bilateral fish deal with Ghana, because its waters had been substantially exploited (Atta-Mills et al., 2004). However, as the free market access offered to Côte d’Ivoire was also open to Ghana, the Ghanaian government decided to diversify into fish exportation in 1986. Ghana’s canned tuna exports to the EC increased from about 745 tonnes in 1993 to 27,000 tonnes in 2012 (Caracalla, 2004: 23).

In sum processed fish is the only non-colonial product protected by the Lomé Convention and the entire EC trade system, due to the 1982 EEZs (Atlas, 2), and therefore it is the only new specialisation that have been provoked by the EU-induced trade system. Although the sector is suboptimal, in the sense that West African countries do not have an advantage in fisheries, the sector is somewhat capitalistic and not susceptible to diminishing returns.

## **Conclusion**

In conclusion, this chapter has shown that the main effect of the Lomé Convention was to determine the specialisation of West African countries due to its interaction with political elite-struggle for survival. My focus was not on the political elites but on the problematic nature of the sectors they promoted on the basis of Lomé trade system.

In Côte d’Ivoire, the Yaoundé Convention and French colonial support were perpetuated under Lomé trade system in terms of outcomes if not content. Given its non-reciprocal nature, there is nothing in the Lomé Convention that explicitly prevents the country from diversifying. However, due to the bid for political survival the first option for Ivorian political elites was to ensure continuity rather than change. Furthermore the inclusion of sugar into the protected products gave the elites a new basis for diversification, within the EC protected sector. The failed attempt to diversify into sugar was simply an effort to follow the pattern that existed prior to the Lomé Convention—i.e., based on France’s price support and market advantages in colonial era and Yaoundé convention. The government, in other word, guaranteed the minimum economic requirement by relying on the advantages offered in the EC trade system, but sugar turned out to be a failed investment even within EC trade advantage.

The effect of the Lomé Convention on Ghana is much more interesting, because the country joined the EC trade system for the first time under this agreement in 1975. When the Lomé Convention was signed, Ghana was plunged into major economic (Aryeetey et al., 2000: 192; Mustapha and Whitfield, 2009: 53) and political crisis (Aryeetey et al., 2000: 191; Parfitt and Riley, 2010). The economic and political crises were interlinked; the former created the latter. Between 1972 and 1981, there were six changes of government. The coup that overturned the administration in 1972 was due to economic collapse, as shown in the previous chapter. The other coups were also related to the economic climate. All of the leaders sought to create economic stability or minimum economic performance to guarantee state rule. It took the ruling elites in Ghana some time apply Lomé convention to survival politics. In 1982/83, however, Jerry John Rawlings started to pursue safe diversification into products protected by the Lomé Convention. The government overhauled the cocoa sector and attempted to diversify into coffee (specifically due to STABEX), bananas, pineapples and other, more successful, products such as palm oil. This diversification scheme, in search for political stability, was informed by Lomé trade advantage. The Lomé trade system thus contributed to political stability in Ghana from the mid-1980s but in turn installed the Ivorian economic system in Ghana. Interestingly, since the diversification scheme of 1983, the country has experienced no political crises. However, Ghana has become so tied to the EU market advantages that exactly two thirds of its exports now depend on advantages provided by the EU, even more than the export of Côte d’Ivoire or any other ACP country (ODI, 2007: 8).

Economically, all of the sectors protected by the Lomé Convention, with minor exceptions such as fish, are problematic. The Convention primarily protects colonial products for which there is either no possibility of building a proper sector (in the cases of bananas and pineapples, as shown above) or a structural limit on production (in the case of cocoa beans). The trade system distorts the natural diversification that would otherwise occur.

Another task of this chapteris that it provided a context in which the EU’s current trade system with West Africa can be properly assessed. The Cotonou Agreement, which replaced the Lomé Convention, was signed in 2000. In essence, the new system is a free-trade system between the two parties that, among other outcomes, denies West Africa the policy space required to institute diversification. The new system is similar to that established by the Yaoundé Convention (in the sense of reciprocity). The current chapter offers a valuable background for the next chapter by showing that the production systems in both Ghana and Côte d’Ivoire, such as that of cocoa, are experiencing problematic, and that diversification is necessary. A trade system that denies West African countries the room to diversify risks perpetuating the region’s current production functions (extended in both the Yaoundé and Lomé Conventions).

# Chapter 7: The Cotonou Agreement

## Introduction

This chapter offers an analysis of the trade and development system of the present day. The current trade and development system between the EU and West African countries was laid out in the Cotonou Agreement of 2000. Signed in 2000 and revised in 2005 and 2010,[[32]](#footnote-32) the agreement is the most comprehensive trade agreement since Part IV of the Rome Treaty. Diverging from the provisions of the Lomé Convention, the Cotonou Agreement instituted a scheme to create regionally negotiated EPAs or free-trade areas with the EU between 2000 and 2007. The African, Caribbean and Pacific Group of States (ACP) is grouped into seven regions, of which five are in Africa,[[33]](#footnote-33) the sixth is the Caribbean Community and the seventh is the Pacific region. The method of assessing the EPA differs slightly from that used in the preceding of the study, because the agreement has yet to be fully implemented and thus cannot be assessed empirically.

To support the main objective of the study, which is to examine the effects of the EU-devised trade system with West African countries through its interaction with domestic political elites’ pursuit of survival, the first part of the chapter demonstrate how the EU used political survival of ruling elites to impose the EPA on West African countries. That is, unlike the Yaoundé Convention and the Lomé Conventions, in which ruling elites used provisions like price support to safeguard existing economic systems, the EU’s EPA proposal (which initially met with opposition from ACP elites) is based on the threat that the continued protection of minimum economic performance is based on the signing of the EPA. The second part of the chapter assess the main impact of EPA on (1) market access to the EU (including its protection of existing economic systems or minimum economic performance) and (2) economic diversification in West African countries.

To start from the second objective, the main impact of the EPA, under the Cotonou Agreement, there was a major shift in the patterns of trade between the two regions: for example, the EU’s abolition of price support and quotas (for products such as sugar, banana and pineapple) reduced the means of gaining trade advantages (or securing minimum economic performance) to tariffs alone (e.g. zero tariffs as opposed to 20 percent under the Generalized Scheme of Tariff Preferences (GSP) for bananas). This exposed West African sectors to possible competition in the EU market – if, for example, the EU were to sign FTAs with more competent suppliers. Such competition can only be avoided in products in which West African countries are dominant in the global market and which also have a tariff advantage (e.g. cocoa beans). In Ghana and Côte d’Ivoire, products such as bananas and pineapples, which have been produced exclusively under EU protection since independence, might be in the process of erosion (however, signing the EPA is predicated on maintaining their advantaged position in the EU market). The argument regarding market access is that the historical market preferences offered in the trade agreements have shrunk. Ordinarily, the erosion of these preferences would be a positive development, because Ghana and Côte d’Ivoire are not competitive in such products, and halting their production could provoke factor reallocation through threat to ruling elites. However, I argue that the EPA (which amounts to a liberalisation of 75 percent of West Africa’s imports from the EU) in itself prevents diversification in two ways: first, by reducing policy space; and more importantly, by restructuring West African countries towards similar diversification schemes (regional obstruction).

The policy-space argument is axiomatic given the liberalisation of 75 percent of imports from the EU (a feature of the EPA). But as part of the free-trade negotiations, ECOWAS was required to exclude 25 percent of its imports from the EU. Individual ECOWAS countries thus selected the best products from their existing domestic sectors for the regional exclusion lists. Nigeria selected cement for exclusion (following more than a decade of government protection of its cement industry), Côte d’Ivoire selected chicken, and Senegal selected sugar. The entire region was subsequently expected to protect imports of cement (despite its selection by Nigeria) and chicken (despite its selection by Côte d’Ivoire). The effect thus far has been a process of “regional obstruction,” whereby most ECOWAS countries attempt to develop the same sectors on the basis of the exclusion list. For example, Côte d’Ivoire nominated chicken for the exclusion list due to a successful development experiment, and planned to develop a regional export system in chicken. However, since the completion of the EPA, more than eight ECOWAS countries have instituted similar programs.

Before presenting the above argument in the second part, the first part of the chapter demonstrate how the EU used political survival of ruling elites to impose the EPA on West African countries. To do this, I review and build on the literature on the EPA negotiation process with reference to the following key themes. First, is the EPA a manifestation of EU commercial interests or WTO compatibility? Although the EPA was originally understood as a response to a GATT ruling against the Lomé Convention (Heron, 2014, 14), I problematize this reading by treating arguments based on WTO compatibility as a pretext for the installation of a free-trade system. Second, and more importantly, the acceptance of the EPA in West Africa requires explanation, because government officials, intellectuals and civil-society organisations held strong misgivings about free trade due to the harmful outcome of trade liberalisation in the 1980s (Global Network, 2008). As the EU had a reputation for subsidising and dumping its farm products, a free-trade system between ECOWAS and the EU was expected to erode livelihoods and food security in ECOWAS countries; hence locals’ reservations (Ochieng and Sharman, 2004; Matthews, 2010; Pannhausen, 2006; Action Aid, 2006). However, the EU undertook to deprive these countries of the Lomé market advantages – (which are the basis of several uncompetitive sectors in West African countries) – if they refused to sign EPAs (although this threat was expressed in terms of ensuring WTO compatibility). In essence, therefore, the EPAs were negotiated by ruling elites primarily to maintain the market and price advantages provided under the Lomé Convention (in products such as cocoa, bananas, pineapples and fish). This is important to note, because the second section of the chapter shows that these advantages are currently shrinking; even though their preservation was the rational for signing a free trade with EU.

The chapter is divided into two parts. The first part reviews the literature and shows how the EU used survival of ruling elites to impose the EPA. The second part assesses the impact of the EPA.

## Part 1. EPA process—EU Policy preferences and exploitation of domestic survival strategies

Part 1 reviews some of the main aspects of the negotiation process with the aim of establishing that (1) the EPA displayed a commercial interest or at least policy preference on the part of the EU (proposed on the pretext of WTO compatibility), and West African ruling elites were initially opposed to the free trade system, (2) but the EU exploited domestic political survival to promote the EPAs. That is, ruling elites in West African countries accepted the EPAs under the threat of the withdrawal of existing advantages (which would have led to a crisis capable of threatening their position). In Nigeria, however, this threat was not compelling, and Nigerian ruling elites were thus unanimous in their fierce opposition to the EPA. The rationale for this opposition is shown in (3) the study’s main argument against the EPA scheme. The final issue at stake—how the EU finally managed to get Nigeria to sign an FTA—is dealt with in the last section of Part 1.

### *EPA: WTO compatibility or EU policy preference?*

Unlike the Yaoundé Convention and the Lomé Convention, in which ruling elites submitted provisions to safeguard existing economic systems, the EU’s EPA proposal initially met with opposition from ACP elites. It was proposed and insisted upon as a means of ensuring the WTO compliance of the ACP-EU trade systems (Bartels 2007: 735). However, the invocation of WTO compatibility has been shown to be somewhat problematic. For example, according to the specific reading of WTO compatibility adopted by the EU to propound the EPAs, Article XXIV requires the members of ECOWAS to liberalise at least 80 percent of their trade. Like most WTO articles, this interpretation is open to challenge (and was indeed successfully challenged by Nigeria in the final stage of the negotiation process). However, several researchers have pointed to trade relationships between the EU and other countries that are non-reciprocal, discriminatory and adopt a more flexible interpretation of Article XXIV. For example, the EU’s trade with Moldova, Albania, Bosnia and Herzegovina, Croatia, Macedonia, Serbia, Montenegro and Kosovo is in every case based on a more flexible interpretation of this article that amounts to a non-reciprocal trade system (Soludo 2012; South Centre Analytical Note 2010: 10-15).

Furthermore, Alisa Dicaprio and Silke Trommer used the first completed EPA (EU-CARIFORUM, completed in 2007) to show that the trade provisions are significantly different from the WTO directive (in relation to Least Developed Countries, LDCs, for example) on central questions such as non-reciprocity and modulated compliance (Dicaprio and Trommer 2010). Tony Heron argues that the EU discursively presented the desired policies as necessary to satisfy WTO rules due to an initial convergence between the policy preferences of the EU and WTO requirements (Heron 2014). However, this convergence was to some extent lost in the mid-2000s when the WTO altered its FTA requirements and the EU was left demanding extra-WTO provisions in the name of WTO compliance. The most frequently cited example of this divergence is the so-called “Singapore issues” (trade-in services, investment and government procurement), which were released from WTO obligations following the collapse of the 2003 Ministerial in Mexico. Subsequently, when developing countries refused to negotiate these issues, the EU insisted on their inclusion in the EPA. As the EU had introduced the Singapore issues to the WTO in the first place, and was their staunchest promoter in the Doha Developmental Round (see Bieling 2002, 184; Cattaneo 2015, 35), the subsequent divergence between the WTO and the EU opened space for criticism. But in essence, a careful reading of the EU’s proposal for the EPA reveals several extra-WTO agendas. The MFN clause (which represents the EU’s attempt to preserve its economic position in Africa vis-à-vis other developed regions) is not a WTO requirement; nor are the “standstill” clauses, the elimination of export taxes (the EU once attempted to eliminate export taxes, but this measure was voted down by Brazil, Argentina and Indonesia) and others (see South Centre Analytical Note 2010).

Criticism of the EPA intensified when the divergence between the EU’s EPA proposal (supposedly to ensure WTO compliance) and WTO trade requirements became obvious. For example, from 2005, several non-governmental organisations (NGOs) invested in research to search for alternatives to the EPA and propose non-reciprocal trade agreements compatible with WTO requirements (Action Aid 2005; Oxfam 2006; Bouet et al ‎2007). These NGOs operated under the assumption that the EPAs were strictly designed to fulfil WTO compatibility, and presented research showing that WTO compatibility could be achieved through a non-reciprocal trade system. Action Aid went as far as to reproach the EU trade commissioner, Peter Mandelson, for “breaking international law by rubbishing alternatives to economic partnership agreements” (Action Aid September 2, 2005). But the essence of the EPA became obvious to these NGOs when the EU turned down every alternative submitted and insisted on a free-trade system.

Some writers have dated the emergence of the EU’s commercial interest in the EPA to 2005/2006, when the Global Europe document was published (Friends of the Earth 2009; Girvan 2008; Siles-Brügge and Heron 2012). The narrative is that EU had originally placed a moratorium on negotiating new FTAs in 1999 to focus on the multilateral trade system, but when Japan and the US turned to bilateral FTAs in 2003, the EU reviewed its policy and eventually ended the moratorium in 2005. The Global Europe strategy served as a template for negotiating all subsequent FTAs, and this strategy, which was driven by the EU’s anxiety to maintain its competitiveness relative to emerging competitors from the east and also to retain cheap natural resources and energy supplies, is said to have affected the form and content of the EPA. A page from the Global Europe document read as follows:

More than ever, Europe needs to import to export. Tackling restrictions on access to resources such as energy, metals and scrap, primary raw materials... must be a high priority. Measures taken by some of our biggest trading partners to restrict access to their supplies of these inputs are causing some EU industries major problems. Unless justified for security or environmental reasons, restrictions on access to resources should be removed...Energy will be a particularly high priority (Global Europe: Competing in the World 2006: 7).

It has been argued that Global Europe increased the commercial nature of the EPA (Friends of the Earth 2009). Norman Girvan, for example, claimed that after 2006, “Global Europe became the template for the EPA negotiations” (Girvan, 2008: 10). After the Global Europe document was published, the pressure placed on ACP countries to sign the EPA was registered in several parliamentary investigations. A select committee of the UK parliament submitted that “the EU is approaching the negotiations with the ACP as if they were a game of poker,” and went on to note that “the ACP is negotiating under considerable duress” (UK Parliament 2005). Similarly, the French parliament argued that the negotiation process was proceeding with a logic that could be “likened, at worst, to neo-colonialism and, at best, to profound ignorance” (Quoted in Agritrade 2006). In essence, the EPA scheme after 2005/2006 has been shown to share features with commercial EU FTAs (Siles-Brügge and Heron 2012; Dicaprio and Trommer 2010). Gabriel Siles-Brügge and Tony Heron, for example, in an effort to deflate the EU argument that the EPA are designed for development and not commercial aims, pointed out the similarities between EU-CARIFORUM EPA and the EU-Korea FTA (Siles-Brügge and Heron 2012).

The initial disagreement between EU and West African negotiators revived a latent paternalistic narrative according to which the EU was attempting to install a development pathway for “the betterment” of Africans, with resistance from the benighted recipients. “[The EPA is a] commitment to improving the business climate in your countries and for your benefit,” Mandelson declared frustratedly in an address to ACP officials. Mandelson later declared to the European Parliament that “I believe that the opening of markets can deliver growth and the reduction of poverty” (Mandelson 2005).

From the ECOWAS perspective, however, signing EPAs was a condition for the maintenance of EU market preferences in place since 1975 and not a trade deal with new opportunities. As the EU undertook to remove Lomé market preferences at the end of the deadline designated for the signing of EPAs, countries that refused to sign the EPA faced a tariff increase to GSP rate and the removal of their price advantages. With the suspension of the Lomé trade advantages, several export sectors in several West African countries will be unable to survive; in Côte d’Ivoire and Ghana, for example, the banana, pineapple, processed-fish and cocoa-processing sectors would have been significantly affected. Therefore, for the governments of Côte d’Ivoire and Ghana (more accurately, the ruling elites), the main outcome of the EPAs will be to prevent the loss of existing EU market preferences that sustain certain sectors. These are the terms in which the EPA has been discussed in both West African countries (Czapnik 2014; Bilal and Dalleau 2011: 63; Canterbury 2010: 114). To restate the following differently: although the EU argued that the EPA is designed to achieve development in ECOWAS, in essence, the EU used the threat of withdrawing existing market advantages (from Lomé convention) as the bait to get ruling elites to accept the EPA. The delay in the acceptance of the EPA by ECOWAS was due to the absence of this condition (or bait) for the political elites of Nigeria, due to the country’s concentration on crude oil. Nigeria was thus able to reject the EPA altogether. This led to a division in ruling elites acceptance of the EPA in ECOWAS, where the ruling elites in Ghana and Côte d’Ivoire feared that the EU will withdraw its advantages if they refuse to sign the trade deal, while the ruling elites in Nigeria saw no need to sign a free trade with the EU. This division led to a delay in the acceptance of the EPA.

### *Division Among West Africa Ruling Elites*

ECOWAS’s delay in reaching an agreement on the EPA (the negotiation lasted from 2003-2014 instead of 2003-2007) has been attributed, problematically I would argue, to successful campaigning by transnational advocacy coalitions (Trommer 2011, 2014; Heron and Evans 2016: 15). Transnational advocacy coalitions fought against the EPA on the ground that free trade between both regions will lead to the extirpation of infant industries in ECOWAS and the erosion of livelihood too. However, such accounts, of the importance on transnational advocacy coalitions in understanding the delay in the negotiation process, downplay the importance of the EU’s use of market preferences to encourage ACP countries to sign the trade agreement. Heron and Evans, for example, posed the following question: “why is it that despite its preponderant market power the EU has encountered so many difficulties translating its preference for freer trade and closer economic integration with the ACP into a series of comprehensive agreements?” (Heron and Evans 2016: 15). The problem with this question is the uniform assumption of EU market power (or an existing preference in all West African countries). This assumption led to an argument stressing the inadequacies of materialist accounts of the EU’s market power in explaining the acceptance of the EPAs in ACP countries. Instead, Heron and Evans highlight the role of transnational advocacy coalitions in explaining the seeming inadequacy of the EU’s material power in negotiations for the EPA.

Similarly, Elijah Nyaga Munyi (2015) argued against the primacy of trade dependence (EU market power) in compelling ACP countries to sign the EPAs, and instead showed how regional convergence or divergence in perceptions of the EU’s liberalisation rhetoric determined the outcome of the EPA negotiation process. Although both accounts may help to explain the EPA negotiation process in some ACP regions (as most writers have a particular region in mind), they do not adequately represent the situation in ECOWAS at large. Separating the nature of trade dependence (national) from the nature of the trade system (regional) alters the picture painted by both accounts. EU market power can only be defined nationally, whereas trade agreements have to be signed regionally. Differences in the importance of EU market power may thus lead to the delayed acceptance or even rejection of the trade system.

A clue to the delay in EPA signing or the inadequacies of EU market power in West Africa was given by Peter Mandelson (the EU Trade Commissioner between 2004 and 2008), who described Nigeria as “sitting like an elephant in the middle of the road” and blocking the successful conclusion of EPA negotiations (All Africa 2007). Unlike the other ECOWAS countries required to negotiate EPAs (Côte d’Ivoire and Ghana), The political elites in Nigeria was not dependent on the EU’s existing market advantages, so the threat of loss of preferences (which the EU used as a bait to promote the EPA) applied to neither the country at large nor the political elites in particular (Langan and Price 2015: 258).

ECOWAS consists of 15 members,[[34]](#footnote-34) 12 of which are classified as LDCs. The LDCs’ trade with the EU is subject to the “Everything but Arms” (EBA) initiative, whereby all imports with the exception of armaments are duty-free and quota-free. As the duty-free and quota-free provisions of the EBA initiative entered into force on March 5, 2001, the majority of countries in the ECOWAS region could afford to refuse to sign EPAs. For all practical purposes, therefore, the EPA scheme concerns Nigeria, Côte d’Ivoire and Ghana.

Exports to the EU from ECOWAS countries, with the exception of LDCs, are governed by the following three alternative schemes.

1. Most Favored Nation (MFN) rates for all countries;
2. the Standard Generalized System of Preferences (GSP), which is available to all developing countries;
3. and the Cotonou Agreement, which is available to all ACP countries. This was an extension of the Lomé convention until the deadline for signing the EPA in December 31, 2007.

The Cotonou Agreement is the most favored of the alternatives for West African countries to export to the EU because it applies across the board zero tariff. About 98 percent of all Ghana and Ivorian exports to the EU enter the market duty free or with zero-percent tariffs under the Cotonou Agreement (that is, Lomé convention extended until the deadline for signing the EPA). As more than two thirds of Ghanaian and Ivorian exports are subject to zero tariffs under the MFN and the GSP, Cotonou provides no preference margin for these products. Raw materials of any kind, such as oil, cocoa beans, hardwood lumber, gold and diamonds, are some of the zero-tariff products in the MFN and GSP schemes (Patel 2007: 10). In some other sectors, however, the Lomé market preferences (extended by the Cotonou Agreement) have been used to nurture industries that cannot survive outside the EU protected area. The threat to remove market advantages after the deadline was therefore a threat to the very survival of these industries. Nevertheless, the threat was expressed in terms of WTO compatibility. Examples are provided below.

Table 7. 1. Showing the difference in tariff between Lomé and GSP in selected exports.

Products Lomé GSP

Prepared or preserved 0 20.5
 tuna and skipjack

Banana 0 19.4

Cocoa paste 0 2.1

Cocoa butter, fat and oil 0 4.2

Cocoa powder 0 2.8

Cocoa powder 30 0.0 2.8Prepared or preserved tunas and 0

About a quarter of Ghana’s and Côte d’Ivoire’s exports will face fierce competition in the EU market in the absence of zero tariffs. Some sectors—tuna and bananas, for example—cannot survive without trade advantages. In response to the increase in tariffs on exports, Ghana’s vulnerability rate was 67 percent and Côte d’Ivoire’s was 54 percent at the end of the official deadline to sign EPAs (Munyi 2005: 54). Nigeria’s vulnerability rate, in contrast, was smaller than 1 percent. This divergence in dependence led to a divergence in government officials’ enthusiasm for the EPAs. The acceptance of EPAs by Côte d’Ivoire and Ghana should not be mistaken for discursive convergence or an acceptance of free-trade rhetoric. Rather, it connotes a dependency that the EU successfully exploited to install a free-trade system.

One approach used by the EU throughout the negotiation process was to involve domestic sectors in Ghana and Côte d’Ivoire that stood to lose if their governments failed to sign EPAs. A European representative constantly reminded the affected sectors that they would face higher tariffs if their governments refused to enter into the free-trade system. In Côte d’Ivoire, for example, the local tuna industry, represented by the Minister of Fisheries and labour union type organisations, is one of the main domestic sectors lobbying for the EPA (see Agritrade 2013). By all calculations, the fisheries export sector cannot survive without EU trade advantages, because 100 percent of its exports are destined for the European market with the advantage of zero tariffs. The banana sector provides another example.

 “If we don’t sign, from Jan. 1 (2008) we’re going to pay customs fees at 115 CFA francs ($0.26) per kg of exported bananas to bring them into the European Union. We can’t pay. We’ll just stop,” said Mathias Aka N’Goan, director of the Ivorian Central Organisation of Grower-Exporters of Pineapples and Bananas. This organisation was at the center of the EPA debate in Côte d’Ivoire. “If the government doesn’t sign the EPA, it will kill us,” N’Goan said when the deadline was fast approaching (World Trade review 2007). The African Pineapples and Bananas Association has also been a major player on the civil-society side of the EPA negotiations in Ghana and Côte d’Ivoire (Agritrade 2012). The organisation has on several occasions received European representatives discussing the importance of the EPA to the continued growth of the sector (Africa Report 2012). The organisation’s president, George Kporye, stated that “[i]t is actually important that [the] Ghana government signs the EPAs. If we don't sign we will be subjected to tariffs and we cannot afford that in the face of stiff competition” (Ghana Business News 2012).

Nigeria has no sectors that are completely dependent on EU trade advantages. Ruling elites in Nigeria thus judged the trade system in terms not of a potential loss of trade but of the opportunities provided by free trade. Whereas some West African governments announced in October 2007, following Nigeria’s opposition, that they were not in a position to sign agreements with the EU by the December 31 deadline, Ghana and Côte d’Ivoire negotiated and signed separate bilateral FTAs with the EU within a couple of weeks.

Like the EPAs, these separate bilateral FTAs (interim EPAs) were signed with the expressed aim of preventing the disruption of Lomé market preferences. Under its interim EPA, Côte d’Ivoire was required to liberalise 81 percent of imports from the EU (representing 89 percent of tariff lines), and Ghana was required to liberalise 80 percent of imports from the EU (representing 81 percent of tariff lines) (Bilal 2009). From 2008, Nigeria’s exports of cocoa butter and cocoa liquor to the EU came under the GSP scheme, at 4.2 percent and 6.3 percent higher tariffs, respectively (Nwoke 2008). The tariff for cocoa paste increased immediately to 9.6 percent ad valorem, and the tariffs for chocolate and other semi-processed exports reached even higher levels. Bananas and pineapples, of which Nigeria exported negligible amounts, were also affected. In 2008, it was reported that Nigerian cocoa processing had lost $5m due to the change in tariff (ICTSD 2008). The Cocoa Association of Nigeria lobbied the federal government to sign the EPA, but went unheard among the overwhelming criticism of the EPA by another organisation, the Manufacturers’ Association of Nigeria.

So far I have shown that the EPA arose from EU market preference and its acceptance was to preserve contemporary trade advantages. Ruling elites in Ghana and Côte d’Ivoire partly depended on Lomé trade advantages for their economic survival and provision of the minimum economic performance, in accordance with a long-established dependency. Ghana and Côte d’Ivoire are among the top three most depended members of the entire ACP countries and therefore were invested on the continuity the trade advantages even though intellectuals and the civil society in these countries were suspicious of the EPA. In the EPA negotiations, the EU exploited this dependency to advance its policy preference for free trade. The Ghanaian trade minister Ms Hanna Tetteh once stated that Ghana would have to take steps to protect its economic interests (that is, leave ECOWAS and sign a direct EPA) if Nigeria refused to comply with the EPA (Modernghana 2012). This shows how political security (real or perceived) was at the core of the acceptance of the EPA. However, the Nigerian trade minister Olusegun Aganga declared that Nigeria would never sign or install the EPA on his watch (Rhodes 2014). The former governor of the Central Bank of Nigeria, Charles Chukwuma Soludo, likened the EPA to the Berlin Conference, which divided the African continent for the benefit of great European powers (Soludo 2012). Other high-ranking members of the Nigerian government have spoken of the EPA in linguistic extremes, as equivalent to slavery or as representing a return of the colonial system. Ruling elites in Nigeria were depended on oil, as opposed to EU trade advantages.

However, after the implementation of interim EPAs, signing full EPAs was tied to the survival of ECOWAS as a region (Trommer 2014, 3). Under the interim EPAs, ECOWAS exports to the EU were governed by three trade regimes: a duty-free, quota-free regime under the interim EPAs for Ghana and Côte d’Ivoire; the EBA regime for LDCs; and the standard GSP regime for Nigeria. This affected the free movement of goods within ECOWAS, and regional integration was threatened by Ghana’s and Côte d’Ivoire’s disclosure of their intention to sign permanent bilateral FTAs with the EU if Nigeria failed to comply with the EPA scheme. Nigeria’s government had an interest in regional integration, and only fear of the disintegration of ECOWAS returned Nigeria to the negotiation process. Before exploring the renewed negotiation after the interim EPAs, I review some of the main arguments against the EPA from the perspective of ECOWAS drawn from the negotiation process (mainly propounded by Nigeria but also by Ghana and Côte d’Ivoire whose ruling elites proceeded to accept the terms of the EPA nevertheless) and the main rejoinders by the EU.

### *Some Arguments against the EPA*

The most persistent argument against the EPA was that a free-trade system between ECOWAS and the EU would erode livelihoods and food security in ECOWAS countries (Ochieng and Sharman 2004; Matthews 2010; Pannhausen 2006). There is abundant evidence, drawn mostly from the structural-adjustment era in the 1980s, that trade liberalisation does erode livelihoods through the importation of cheaper and often subsidised products (see Moseley et al. 2010). About 70 percent of the active population of West African countries comprises small-scale informal farmers, and open trade requires them to compete with EU farmers (ECOWAS 2001). Many analysts have argued that eliminating agricultural tariffs will upset the livelihoods of such small-scale farmers (Nwoke ‎2009; Patel 2007; Global Network 2008). This is not a theoretical or ideological claim but an empirical one, judging from previous episodes of liberalisation in several West African countries. Global Network, for example, released a statement observing that “worries [about the EPA] are grounded in historical facts: most notably the economically and socially damaging wave of liberalisation which took place under the structural adjustment programmes” (2008: 10).

To expand this argument, the EU is a heavy subsidizer with a record of dumping products fundamental to the survival of small-scale planters in ECOWAS. Cotton, cereal, rice, potatoes, beef, poultry, sugar, fruits and vegetables, etc., are heavily subsidised in the EU. Free trade hardly provides a level playing field for EU-subsidised farmers and informal small-scale planters in West Africa. Cotton production in Côte d’Ivoire will suffice as an illustration of the danger of free trade under these circumstances.

Cotton production is the main economic activity of 110,000 farmers in Côte d’Ivoire alone (World Bank 2013: 2), compared with approximately 100,000 cotton farmers in the whole of the EU (Hickman 2010). Cotton is traditionally cultivated in northern Côte d’Ivoire, and the crop has helped to reduce chronic poverty in this part of the country. The EU has a production interest, although no production advantage, in cotton, and thus subsidises the product. In the year after the interim EPAs came into force, i.e. in 2009-2010, the EU spent $6.9 billion on subsidies for its 100,000 small cotton growers (Offiong 2013: 107; Tragakes 2012: 373). This amount is almost equivalent to Côte d’Ivoire’s entire export receipts in the same year. According to several calculations, the EU’s subsidy for cotton growers amounted to $2.51 per pound of cotton in a year in which the world-market price was $1.62 per pound (Tragakes 2012: 373). In addition to the price-drop effect of such subsidies on Ivorian cotton farmers (the World Bank calculated that if the subsidies were eliminated—including those of the United States—cotton prices in Côte d’Ivoire would increase by at least 12.9 percent), the EPA opens the Ivorian market to unrestricted imports from the EU, amounting to open competition between producers from the two regions. In such a scenario, Côte d’Ivoire could become a dumping ground for unwanted cotton from the EU.

Côte d’Ivoire’s cotton industry is not the largest in West Africa (there are 120,000 cotton producers in Senegal alone); nor is Côte d’Ivoire the West African country most dependent on cotton. Benin, Chad, Burkina Faso and Mali are even more reliant on cotton production. Therefore, any of these countries can be substituted for Côte d’Ivoire in the above example. Equally, cotton can be substituted for other products for which the EU maintains production subsidies, such as poultry, sugar, rice or wheat. The anxiety expressed by ECOWAS individual countries regarding the effect of free trade on the livelihoods of African farmers thus seems justified. Western subsidies in general have been blamed for the depression of world prices in certain agricultural products, which have in turn affected the livelihood of peasant farmers.

In response to the above argument, the EU has cited the EPA’s exclusion clause. The exclusion list (which was initially proposed as 20 percent but later negotiated to 25 percent of tariff lines) is an inventory of products exempted from the liberalisation provision of the EPA, on which ECOWAS can impose up to a 35-percent tariff to protect either livelihoods or local industries. For example, the government of Côte d’Ivoire excluded cotton from the interim EPA as well as other products that it feared would erode local production systems. However, the exclusion clause is generally perceived as inadequate; Nwoke, for example, noted that Ghana needed protection for 60 percent of its agricultural products, but that no space was provided for this protection in the interim EPA (Nwoke 2009: 10). Furthermore, the exclusion lists created for regional EPAs are much narrower than the general list, given the regional nature of the products listed. Every ECOWAS country is given the chance to nominate a product for the general 25 percent exclusion list, as opposed to the exclusion of 25 percent of imports for every country.

Another argument against the EPA to which the exclusion-list clause offers a convenient retort concerns the link between the EPA and deindustrialisation and the curtailment of future industrialisation/ diversification plans. This argument is mostly associated with the former Nigerian Minister of Industry, Olusegun Aganga. Aganga argued that Nigeria, along with other ECOWAS countries, was dependent on the importation of industrial products, and that the EPA would take away the policy space needed to institute protectionist policies necessary for industrial development or diversification (Thisday 2014). In any sector in which the EU had attained production capacity, free trade would deny ECOWAS the space to develop production capacity in the same sector. In other words, a logic of complementarity underlies the EPA, preventing EU and ECOWAS from specialising in the same sectors due to differences in development. The Nigerian minister argued that there is a qualitative difference between the products exported from ECOWAS to the EU (mostly raw materials) and the products imported from the EU to ECOWAS (mostly finished products), and further submitted that free trade would consolidate the current pattern of product exchange (Rhodes 2015; The Nation 2014; FT 2014; Sun News 2014).

Aganga’s argument is critical to Nigerian opposition to the EPA but even more critical for Ghana and Côte d’Ivoire. The current economic systems of Ghana and Côte d’Ivoire are not sustainable. As shown in the previous chapter, cocoa, which is the main export product of both countries, has reached a production limit due to its relationship with forestland. The continued production of cocoa has entailed government and NGO support in Ghana, and increased poverty/the rise of child slavery in Côte d’Ivoire. It is necessary to diversify away from cocoa. Few of the countries’ subordinate export products are competitive or sustainable, but survive due to EU trade advantages. (In the next section, however, I show that these trade advantages are currently shrinking due to other developments in the EU; for example, FTAs with other regions have greatly reduced the protection offered to products that the EPA was signed to protect) Nigeria’s main export product is crude oil, which is not sustainable either. Diversification and industrialisation in the ECOWAS region are thus vital—and EPAs will limit the possibility of diversification by reducing policy space needed for industrial policy.

Again, the EU has responded to this argument by citing the exclusion list, which it claims will protect livelihoods, current infant industries and future industrialisation plans. However, this is inaccurate, because the excluded products constitute a static inventory (generally representing existing production systems), and once nominated, they cannot be altered. As future diversification plans cannot be known at the point of signing an EPA, a static production function underlies the agreement.

Indeed, both the interim EPA and final EPA documents indicate that ECOWAS countries mainly excluded products for which a production system was in place, to prevent their erosion by EU imports. Each ECOWAS country nominated certain products for the exclusion list. Nigeria selected cement (a product for which it has a growing industry following two decades of import bans and other industrial policies), and Côte d’Ivoire nominated chicken. Other excluded products were meat and meat products, milk and dairy products, sugar, cereal, tobacco and cotton (Ramdoo, 2004:21). No products were selected on the basis of future developmental plans; products were selected solely to protect current production systems against an EU import campaign. Aganga’s argument that the EPA forecloses the possibility of ECOWAS diversification and industrialisation cannot thus be countered with reference to the exclusion list.

The third argument against the EPA concerns government revenue. On average, import duties account for about 14 percent of government-revenue source in the ECOWAS region (Patel 2007: 20), and thus the EPA will amount to a loss of revenue. According to one estimate by South Center, ECOWAS countries will loss €746 million a year in fiscal revenue from tariff reduction in the first five years after the implementation of the EPA and approximately €1.9 billion a year by the end of the implementation period. Compared with other possible effects of the trade system, undue attention has been paid to the fiscal-loss argument by both commentators and West African governments, because a decrease in revenue is an immediate problem that can be used by ruling elites to request more adjustment aid. In structural terms, however, the revenue argument is completely insignificant as the lost revenue can be recovered by a change in tax structure/the tax system (Zouhon-Bi and Nielsen, 2007). The solution provided by the EU was to give ECOWAS government’s adjustment aid.

Indeed, after the collapse of the trade talks at the original stipulated deadline, more financial support for aid became the answer to all opposition to the trade system. From 2009, the arguments regarding dumping and industrial blockage were translated into requests for more money from the EU to solve problems of competiveness and dumping. For example, during the lead-up to the original EPA negotiation deadline in 2007, the European Commission promised to give €477 million to the entire ECOWAS region for the first five years of the implementation of the EPA (Langan and Price 2014: 269). This figure increased to €6.5 billion in post-2009 as aid became the answer to every concern. Several researchers lauded ECOWAS negotiators for their success in persuading the EU to increase the aid figure owing to the problematic nature of free trade (Hurt et al. 2013; Bilal 2014). Hurt et al. (2013), for example, argued that African officials demonstrated strong agency and discursive power in holding their European counterparts to account in terms of “development.” However, Langan and Price (2015) questioned whether the successful demonstration of elites’ agency by increasing the EU’s financial aid necessarily amounted to better outcomes for poorer citizens. In any case, the increased aid disbursement did not immediately solve the problems associated with the EPA. It is unclear, for example, how the problems associated with diversification and production capability—given the gap in competitiveness between the EU and ECOWAS in both agriculture and industry—could be solved by increasing aid. Langan and Price (2015) saw the redirection of opposition toward aid provision as an extraversion strategy and a potential win for ruling elites at the expense of poor farmers and the general welfare of ECOWAS countries (Langan and Price 2015: 265).

It must be conceded that the fiscal problems associated with the EPA and some supply-side constraints were likely to be solved by an increase in aid disbursement. Nevertheless, two conditions had to be met for aid to be effective on this front. First, the EU was already notorious for failing to deliver promised aid, especially in the context of the EU-APC trade system. Without wishing to belabour this point, the EU has not once delivered its full promised aid to ACP or ECOWAS countries since the inception of the European Development Fund (EDF). The STABEX program was grossly underfunded, and the EDF disbursed only a small percentage of its promised aid. For example, under the 4th EDF, the EU gave only 43 percent of the financial aid promised to ACP countries. Since the inception of the EU-ACP trade and aid systems, 43 percent is the closest the EU has come to fulfilling its aid promises. In the EDF concluded before the EPA, only 28 percent of the promised and agreed aid was disbursed. Therefore, the EU was unlikely to actually provide the promised €6.5 billion to ECOWAS under the PAPED.

Table 7. 2. The gap between aid promised and disbursed by the EU to ACP countries between 1975 and 2007

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| EDF assistance package | Funds allocated during five-year envelope (nominal value) | Real value of envelope (1975 base year) | Disbursement in the five years to which envelope was allocated (nominal value)  | Percentage of total allocation disbursed in five years to which it was allocated (nearest percent) |
|  |  |  |
| 4th EDF (1975-80) | 3,390 | 2,696 | 1,454.5 | 43 |
| 5th EDF (1980-85) | 5,227 | 2,586 | 2,041.0 | 39 |
| 6th EDF (1985-90) | 8,400 | 3,264 | 3,341.6 | 40 |
| 7th EDF (1990-95) | 12,000 | 3,514 | 4,417.9 | 37 |
| 8th EDF (1995-2000) | 14,625 | 3,463 | 2,921.6 | 20 |
| 9th EDF (2000-07) | 15,200 | 3,131 | 4,239.0 | 28 |

Source: Adapted from Oxfam (2006: 10).

Second, and even more importantly, there is ample evidence of aid embezzlement in West Africa by ruling elites. Few of the negative effects of the EPA initiative listed in the previous section can be solved by an increase in aid disbursement from the EU.

To conclude this section: the reframing of opposition to the EPA as a question of aid disbursement obscured the real potential effects of the EPA or represented those effects in terms of a need for additional financial aid (which entices ruling elites). After 2009, the EU set a final deadline of October 1, 2014. Ghana and Côte d’Ivoire disclosed their willingness to sign permanent FTAs with the EU, signaling an even greater threat to regional integration. After the final deadline of October 2014, averting regional disintegration was the rationale for the signing of EPAs by both Nigerian and ECOWAS officials.

On July 10, 2014 the 45th Ordinary Session of the Assembly of ECOWAS Heads of State in Accra officially approved the EPA, paving the way for the signing, ratification and implementation of the agreement. After the regional agreement had been signed, the Nigerian trade minister Olusegun Aganga renewed his criticism of the trade system, urging the Nigerian government not to rectify the agreement. At the time of writing, Nigeria continues to refuse to ratify the EPA, to the irritation of Ghana and other countries in the region (Babatunde and Alli 2016). The circumstances that led to the regional signing of the trade-system agreement have altered for the most populous West African country. After July 2014, the month in which the regional trade system was signed, the prices of crude oil fell precipitously (Krauss 2016). Proceeds from the sale of crude oil account for about 90 percent of Nigeria’s total export revenue and roughly 75 percent of its budgetary revenue (World Bank 2015**).** The new Nigerian government (which took charge in May 2015) has taken out loans to compensate for the shortfall. There is now a tacit agreement that the country, like all oil-dependent countries, must diversify its production and exportation away from crude oil. Nigeria’s government refused to ratify the trade system at the national level on the grounds that it was inimical to diversification, due to the reduction of policy space and options for diversification. Although the EPA has not yet been fully installed, the next section is an attempt to interpret its outcomes in two areas: market access and diversification. As we have seen, Ghana and Côte d’Ivoire signed the trade-system agreement to preserve their trade advantages or market access in the EU. The next section will show that the market access these countries were bidding to preserve by signing EPAs is currently shrinking due to other developments in the EU, such as the signing of FTAs between EU and other regions in Asia; and that America is reducing the protection that the EPAs were signed to preserve. The next section will also show that the EPA prevents diversification in both theory and practice.

## Part 2: Outcome of EPA

After 12 years of hard negotiation, the ECOWAS Commission endorsed the EPA scheme in July 2014.

The main provisions of the EPA are:

A. Trade liberalisation. The region of ECOWAS is to liberalise 75% of all tariff lines over 20 years in five installments.

Category A - CET range between 0 – 5%, to be liberalised in up to 5 years. This category contains basic commodities; capital goods; specific inputs; essential social goods.

Category B - CET range between 0 – 10%, to be liberalised in up to 15 years from the entry into force of the agreement. This category contains Inputs and intermediate products.

Category C - CET range between 0 – 20%, to be liberalised up to 20 years from the entry into force of the agreement. 50% to be liberalised in 10 years; 75 % in 15 years and 100 percent in 20 years. This category contains final products.

Category D- CET range between 0 – 35%. All products in this category are excluded from liberalisation.

 The excluded products are:

1. Meat and meat products; Preparation of meat; fresh, chilled and frozen fish and fish products; preparation of fish products.
2. Milk and dairy products.
3. Vegetable products such as edible vegetables, fruits, nuts, some cereals (rice), products of milling industry (different types of flour);
4. Animal and vegetable fats and oils and prepared edible fats
5. Sugar and sugar confectionary;
6. Cocoa and cocoa preparations;
7. Preparation of cereals, flour, starch and milk
8. Preparation of vegetables, fruits and nuts
9. Other edible preparation such as tea, coffee, sauces, seasonings etc
10. Beverages (alcoholic – mainly beers and spirits) and non-alcoholic (table water etc.)
11. Tobacco
12. Cement
13. Pharmaceutical products;
14. Paint, varnish and mastic
15. Perfumery, cosmetic and toilet preparation;
16. Soaps and washing preparation; waxes
17. Glues; pyrotechnic products;
18. Articles of plastic; Rubber articles; leather products; wood and wood articles; paper, paperboard and articles of paper pulp; printed books and newspapers
19. Cotton (thread); other vegetable textile fibres, yarn and fabrics;
20. Man-made fibers; some woven fabrics; some knitted and crocheted fabric;
21. Articles of apparel and clothing accessories;
22. Glassware; some articles of iron and steel; copper and nickel
23. Tools and cutlery of base metals; some machinery and mechanical
24. Some furniture and mattress support (wood and metal); lighting and fittings.

Other provisions include a safeguard clause (the EU can apply bilateral safeguards on ECOWAS products if the later cause or threaten to cause damage to local industries) and MFN clause: ECOWAS to grant MFN to EU for countries whose share of trade is higher than 1.5% (2% for a group of countries) and degree of industrialisation, measures as value in manufacturing & GDP is higher than 10% in the year before the introduction of EPA. There was a pledge of €6.5 billion over the first five years.

At this point, there is very little empirical basis for assessing the impact of the EPAs on West African countries. In preparation for the implementation of the EPA scheme, the ECOWAS Common External Tariff (CET) came into force in January 2015. The World Bank and the EU released several studies of the final agreement/document, and came to an overwhelmingly positive conclusion regarding the benefits of the free-trade system for consumers, producers and society at large (Coste and von Uexkull 2015; MacLeod et al. 2015). The effects of the CET and the EPA on trade, public revenue and consumer prices were evaluated using the World Bank’s Tariff Reform Impact Simulation Tool and general-equilibrium model. However, these studies had numerous problems: for instance, they were mainly technical and apolitical, and omitted the issue of sector differentiation.

In this section of the chapter, the impact of the EPA is assessed on two fronts: market access and diversification. Although diversification is much more important, it is also useful to investigate the impact of the EPA on market access particularly in preserving existing advantage, because the trade agreement was signed by ruling elites primarily to preserve the market access afforded in the Lomé trade convention.

### *EPA and Access to EU Market*

This sub-section addresses the difference in ECOWAS access to the EU market before and after the EPA was signed. I show that not only did the EPA fail to provide additional market access for ECOWAS countries, but the market advantages that the EPA was signed to preserve (in maintaining the contemporary economic system) are currently shrinking. In principle, the EU liberalised 100 percent of its market for ECOWAS countries at the moment of the EPA’s signing (EC 2016). In practice, however, this 100-percent liberalisation was worthless, because West African countries had benefited from complete access to the EU market since the 1975 Lomé Convention, with the exception of products on the Common Agricultural Products (CAP) list. Non-tariff barriers in the form of technical obstacles to trade, such as product standards and sanitary and phytosanitary (SPS) measures, have protected the EU market from exploitation by ACP countries since 1975 (Prévost, 2010).

Following the interim EPA of 2008, the EU liberalised its market to Ghana and Côte d’Ivoire by 100 percent, with the exceptions of rice and sugar. In return, the markets of both West African countries initiated gradual liberalisation in 2010. The outcome can be assessed by longitudinal comparison. Table 1 below shows Ghana’s overall trade with the EU from 2004 to 2014, and Table 2 shows the overall Ivorian trade with the EU from 2004 to 2014. These data reveal changes in trade with the EU after the ratification of the two countries’ respective EPAs in 2008/2009.

Table 7. 3 Ghana’s overall trade with EU, 2004 -2014

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Period | Value (€M) | Exports to EU% Growth\* | % Extra-EU | Value (€M) | Imports from EU% Growth\* | % Extra-EU |
| 2004 | 1,049 |  | 0.1 | 1,195 |  | 0.1 |
| 2005 | 988 | -5.8 | 0.1 | 1,252 | 4.8 | 0.1 |
| 2006 | 1,120 | 13.4 | 0.1 | 1,467 | 17.2 | 0.1 |
| 2007 | 1,152 | 2.8 | 0.1 | 1,701 | 16.0 | 0.1 |
| 2008 | 1,261 | 9.5 | 0.1 | 1,928 | 13.4 | 0.1 |
| 2009 | 1,105 | -12.4 | 0.1 | 1,754 | -9.0 | 0.2 |
| 2010 | 1,475 | 33.4 | 0.1 | 2,150 | 22.5 | 0.2 |
| 2011 | 3,481 | 136.1 | 0.2 | 2,926 | 36.1 | 0.2 |
| 2012 | 3,300 | -5.2 | 0.2 | 3,613 | 23.5 | 0.2 |
| 2013 | 3,379 | 2.4 | 0.2 | 3,416 | -5.5 | 0.2 |
| 2014 | 2,884 | -14.6 | 0.2 | 3,113 | -8.9 | 0.2 |

Source: Calculated from Source Eurostat as presented in (European Commission 2015)

The decrease in exports in 2008-2009, following the institution of the interim EPA, was due to the financial crisis. Ghana’s exports recovered in the following year, with an increase of 33.4 percent. The same trend can be seen in imports from EU, which dropped by 9.0 percent in 2009 and recovered the year after with a growth of 22.5 percent. However, Ghana’s exports to the EU grew by 136.1 percent in 2011, by which time export value had more than doubled since the implementation of the interim EPA. Some scholars have attributed this growth to the implementation of the interim EPA (EU 2013; EC 2016**;** Action Aid 2013: 26; Acheampong et al. 2014: 6), but this is hardly the case, as indicated below.

The structure of Ghana’s export products changed in 2011, with the advent of commercial-oil production for which the EU was the main export destination (Trade Map 2016). In 2011, for the first time in Ghana’s history, crude oil constituted as much as 47 percent of all products exported to the EU (Trade Map 2015; Eurostat 2015). The doubling in export value should not, therefore, be seen in the light of EU market liberalisation, but as a consequence of the exportation of a new resource. As the exportation of crude oil is subject to zero tariffs under the GSP and MFN schemes, the product is external to the EPA program. The increase in imports from the EU, however, can be explained in terms of Ghana’s liberalisation of 821 items, representing 8.7 percent of its import from the EU, at the end of 2012, following the timetable of the interim EPA (Bilal and Stevens 2009: 127). A similar increase in imports was observed in Côte d’Ivoire, but there was no corresponding increase in exports.

Table 7. 4. Côte d’Ivoire’s trade with EU, 2004-2014

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Period | Value (€M) |  |  Export% Growth\* | % | Extra-EU | Value (€M) |  | Imports% Growth\* | % | Extra-EU |
| 2004 | 2,208 |  | 0.2 | 1,182 |  | 0.1 |
| 2005 | 1,979 | -10.4 | 0.2 | 1,127 | -4.7 | 0.1 |
| 2006 | 2,494 | 26.0 | 0.2 | 1,150 | 2.0 | 0.1 |
| 2007 | 2,734 | 9.7 | 0.2 | 1,347 | 17.1 | 0.1 |
| 2008 | 3,170 | 15.9 | 0.2 | 1,490 | 10.7 | 0.1 |
| 2009 | 3,042 | -4.0 | 0.2 | 1,508 | 1.2 | 0.1 |
| 2010 | 3,219 | 5.8 | 0.2 | 1,743 | 15.6 | 0.1 |
| 2011 | 3,192 | -0.8 | 0.2 | 1,448 | -16.9 | 0.1 |
| 2012 | 3,262 | 2.2 | 0.2 | 2,049 | 41.5 | 0.1 |
| 2013 | 3,294 | 1.0 | 0.2 | 2,190 | 6.9 | 0.1 |
| 2014 | 3,257 | -1.1 | 0.2 | 2,307 | 5.3 | 0.1 |

Source: Calculated from Source Eurostat Comext as presented in (European Commission 2015)

In Côte d’Ivoire, as shown in Table 2, there was no increase in exports after the EU’s liberalisation in 2008. Export value was virtually the same in 2008 and 2014, but import value almost doubled during this period due to a trade diversion from other suppliers following Ivorian liberalisation. Following the liberalisation agreement under the interim EPA, Côte d’Ivoire had liberalised 56 items, representing 16.7 percent of its imports from the EU, by 2009; by January 2010, the country had liberalised another 927 items, representing 1.8 percent of imports from the EU; by January 2011, a further 1,082 items, representing 10.9 percent of imports from the EU; by January 2012, another 956 items, representing 14.3 percent of imports from the EU, had been liberalised; and by January 2013, another 362 items had been liberalised, representing 10.4 percent of imports from the EU (Bilal and Stevens 2009: 127).

It is thus clear that the EPA did not increase ECOWAS’s market potential in the EU market, at least in the short term. In theory, the region already had access to more than 98 percent of the EU market. Furthermore, the EPA was signed by Ghana and Côte d’Ivoire not to gain extra market advantages but mainly to prevent the loss of existing market preferences. It is contended below that the market preferences that the EPA was signed to preserve are currently shrinking due to several developments in the EU.

### *Shrinking EU Preferences*

The EPA negotiations were contemporaneous with other negotiations involving the EU, such as FTAs, which resumed in 2006 (a year before the original deadline for signing the EPA), and WTO liberalisation commitments. The market advantages that Ghana and Côte d’Ivoire wished to preserve were in markets subject to tariff protection under the GSP and MFN schemes but duty free under the Lomé Convention (and the EPA). Exports of raw materials, such as cocoa beans, were subject to a zero-percent tariff under the GSP and MFN regimes, as under the Lomé Convention, so ECOWAS countries under the GSP could afford to export these products. In markets such as processed cocoa (cocoa paste, cocoa butter, fat and oil, and cocoa powder), bananas, prepared or preserved tuna and skipjack, and other products for which there was a significant difference between the Lomé/EPA tariff advantages (zero) and the GSP/MFN rate, a refusal to sign the EPA would have led to a tariff increase (Patel 2007; EU 2014**)**.

For example, tuna is currently protected by an average 20.5 percent GSP tariff (for developing countries) and a 24 percent MFN tariff (for developed countries), but West African countries export tuna to the EU with a zero-percent tariff. A refusal to sign the EPA would have increased this tariff to at least the GSP rate of 20.5 percent. If the EU had reduced the GSP rate or signed an FTA with a major tuna producer, thereby reducing the latter’s tariff level, the preferences or protection offered to ECOWAS would automatically have decreased, obliging West African countries to compete with the new supplier.

In Chapter 6 of this thesis, I documented the near extirpation of West African pineapple exports following changes in the EU market (reduction in GSP rate and a change in standard). These changes did not directly affect the protection and preferences offered to West African pineapple producers, but they did reduce the protection afforded against other pineapple suppliers. At the point at which the Lomé Convention was signed, in 1975, Côte d’Ivoire supplied 70 percent of the EC’s pineapple products (Tuinder 1978) and produced an average 280,000 tonnes of pineapples (FAOSTAT). But the country was not competitive in pineapple production compared with Latin American producers (Costa Rica, for example); it simply exploited the trade advantages provided by the EU in the form of 20 percent GSP protection. The reduction of the protection gap in 2002 (that is, a decrease in GSP for pineapples) was accompanied by a change in standard (more specifically, a change in variety) due to the entry of Costa Rica into the market. This change reduced Ivorian exports from 250,000 tonnes in 2002 to fewer than 30,000 tonnes by 2007/2008. Côte d’Ivoire was unable to compete in terms of either price or standard. The story was the same in Ghana, where small-scale pineapple producers disappeared after a 2002 change in EU market preferences; pineapple exports decreased from about 65,000 tonnes in 2002 to fewer than 20,000 tonnes in 2009.

The pineapple case illustrates the effects of a shift in the EU’s preferences or trade system with non-ACP countries on the preferences offered to ACP countries. The preferences that West African elites are attempting to preserve can only be retained if a static trade system holds between the EU and non-ACP countries. Yet the FTAs currently being negotiated by the EU diminish the market preferences of ECOWAS in every export product for which there are currently trade preferences, with the exception of cocoa, of which West African countries are the main global producers.

One of the EU’s recent FTAs is the EU-Korea FTA, signed on October 6, 2010; this reduced the tariff on Korea’s tuna and fishery products to 12 percent from 24 percent, indirectly diminishing the market advantages of West African tuna exports. Similar agreements had already reduced the exports of tuna (and other fish products) from Côte d’Ivoire and Ghana (see below), and FTA negotiation is ongoing between the EU and other tuna-fish suppliers. For example, negotiations for a EU-Thailand FTA were formally launched on March 6, 2013 (Thailand currently exports under a 20 percent GSP). Negotiations with India (GSP), the United States (MFN), Vietnam and Chile are all in progress.

I use the examples of banana and tuna exports to demonstrate the ongoing reduction of preferential markets due to other developments in the EU. I selected these products because they receive the greatest protection from the EU of all of Côte d’Ivoire’s and Ghana’s exports, apart from cocoa (EU 2008).

Bananas

Jacques Berthelot argued that the desire to preserve preferential treatment for banana exports was the main reason why Côte d’Ivoire and Ghana pressurised Nigeria to sign an EPA (Berthelot 2014). However, Berthelot’s emphasis on bananas may be overstated. The EU has protected the West African banana sector since the Lomé Convention, and approximately 93-94 percent of Ivorian bananas are exported to the EU, compared with 98-99 percent in the 1990s (Atlas 2016). Côte d’Ivoire produces about 320,000 tonnes of bananas per year, on average, of which it exports fewer than 10 percent to Senegal, Mali, Niger and other neighboring countries. Ghana produces less than a quarter of Côte d’Ivoire’s output due to its late entry into the banana business (Ivorian bananas were a colonial carryover protected throughout the Yaoundé Convention). Approximately 98 percent of Ghana’s banana exports in 2013 were to the EU; Benin and Morocco bought the remaining 2 percent (Atlas 2016). The trade advantages that keep the West African banana sector alive (zero preferences and quota advantages mandated by the Lomé Convention) are currently being eroded. Berthelot regarded the EPA as a “fool’s bargain,” on the grounds that the EU created FTAs with other banana suppliers after the EPA was signed.

The EU-Ecuador FTA was concluded in June 2014, only a week after ECOWAS signed the EPA, reducing Ecuador’s tariff level by a third (Berthelot 2014). Ecuador produced 5.9 million tonnes of bananas in 2013, and the country has long sought to secure a better tariff deal in the EU market. In 2013, under the former regime, it exported 1,361,000 tonnes of bananas to the EU. The new regime will come into force in 2017, and by 2020 the tariff will have been reduced further to €75 per tonne, from €176 per tonne. Therefore, the protection offered to ACP bananas, which has ensured the survival of West Africa’s banana sector, will soon be reduced. Furthermore, other FTAs are being negotiated between the EU and other top banana producers that will further reduce the market protection offered by the EU for ACP bananas. The EU is currently negotiating an FTA with the Philippines, the world’s second largest exporter of bananas. EU-India and EU-MERCOSUR FTAs will also reduce the protected market offered to the ACP.

Apart from the FTAs, a recent WTO case launched against the EU by a collection of banana producers led to the liberalisation of the EU banana market (Robinson and Saúco 2010: 17). This case, which opposed the Lomé banana regime, led to the collapse of the Lomé Convention. In 1993, the EU reformed the Lomé banana protocol to produce a new regime called the Common Market Organisation (CMO) for Bananas (CMOB). The CMOB was challenged by parties that felt injured by the advantage granted to ACP bananas. Costa Rica, Ecuador, Columbia, Guatemala, Mexico, Panama, Venezuela and other banana producers in the region requested a GATT review of the EU banana regime. In response, the EU developed the Banana Framework Agreement (BFA), which allowed the complainants to export their bananas to EU under specific export share regulations. However, Ecuador and US banana multinationals were not pleased by the BFA and lodged a complaint with the WTO questioning the legality of the EU banana regime. The “banana wars” that followed were a sixteen-year trade dispute between the US and Latin America on one side and the EU on the other. The final ruling against the EU banana regime presaged and sanctioned the collapse of the Lomé trade convention, according to the EU.

The long banana dispute (1993-2009) came to an end in the Geneva Agreement on Trade in Bananas in the last month of 2009. By the time, the original deadline for the EPA had elapsed and the interim EPA had been signed. According to an agreement made between the EU and American banana-producing countries, the EU undertook to liberalise its banana market in tranches until the end of 2017 (Dodo 2014: 5). In return, the US and other Latin American banana suppliers agreed to drop all legal disputes against the EU and refrain from demanding an additional import tariff cut at the Doha Round on Agriculture. The EU agreed to gradually reduce its tariff on bananas from €176 per tonne to €114 per tonne. The new regime will be fully in force from January 1, 2018, and this will reduce the protection gap traditionally offered to ACP banana producers. Import duties from Columbia, Peru and central America will be significantly reduced from 2018. Ecuador is part of this group, and will benefit from a further reduction to €75 per tonne from the €114 agreed upon by the EU in the Geneva Agreement on Trade in Bananas, due to its completion of an FTA.

For Ecuador, the EU tariff will decrease from €176 to €75 per tonne, effective from 2020. This provision has been extended to Costa Rica and Columbia, Guatemala and El Salvador (Dodo 2014: 5) (Costa Rica and Columbia are the world’s second and third largest exporters of bananas) (Atlas 2016). That the reduction of EU tariffs for more competitive banana producers will affect ACP banana exports is not in question. The subject discussed here is the extent of this effect. A study conducted by the EU in the 2000s on the possible consequences of liberalising its banana market submitted that of the ten ACP banana exporters, “[o]nly Cameroon and Ivory Coast have any realistic possibility of competing with the non-ACP banana exporters” (Hubbard et al 2000), on the grounds that some multinational banana producers are located in Cameroon and Côte d’Ivoire.

The effect of this change in the EU market has been the subject of speculative studies, mostly focused on ACP countries in the Caribbean region (Silva 2010; Mlachila et al. 2010; Anania 2010; Fridell 2011), as the Caribbean region has the greatest dependency on bananas. But bananas are also an important export product for Côte d’Ivoire, where the banana sector has survived since the 1960s due to the protection of the EU trade system.

After signing the Geneva Agreement on Trade in Bananas, the EU acknowledged that the reduction in tariff could pose a threat to ACP bananas, and thus created the Banana Accompanying Measure (BAM), an aid-adjustment scheme that offered production aid to ACP banana producers (Dodo, 2014: 6). The overall goal of the adjustment program was to “foster competitiveness” among banana-producing ACP countries. In practice, it was simply a fund from which aid was distributed to ACP banana producers. The total financial allocation for the adjustment measure was €190 million, shared among Belize, Cameroon, Côte d’Ivoire, Dominica, Dominican Republic, Ghana, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, and Suriname. It is not altogether clear how this production aid was expected to improve the competitiveness of ACP production. In fact, the measure compounded the problem, because aid was invested directly in banana production. That is, the BAM aid was directed specifically toward investment to create more banana farms in ACP countries under the current production model (EU 2010). For example, the production of bananas increased in Côte d’Ivoire and Ghana after the distribution of BAM aid.

The effects of the change in the EU market must be assessed in the long term. However, there is already evidence to suggest that the liberalisation initiated by the Geneva Agreement on Trade in Bananas has not only increased Latin American banana exports to the EU (FAO 2015) but led to a gradual decrease in banana exports from West African countries. For example, according to the timetable for liberalisation (under the Geneva Agreement on Trade in Bananas), the EU undertook to reduce its banana tariff to €132 per tonne by 2013 and further yearly until 2017 (Dodo 2014: 5). The quantity of bananas exported from Côte d'Ivoire to the EU has already decreased: from 300,000 tonnes when the agreement was signed to 201,353 tonnes in 2012, after two tranches of liberalisation from the EU. The equivalent statistic for 2013/14 was 194,000 tonnes (Trade Map 2016).

Table 7. 5. Côte d'Ivoire’s banana exports to the EU (EU 28)

Year Quantity in tonnes

2006 261,991
2007 282,288
2008 302,974
2009 243,623
2010 226,292

2011 218,809

2012 201,353
2013 194,655
2014 151,621

Source: Trade Map (2016) and Eurostat (2016)

In Ghana, the number of bananas exported to the EU decreased from 52,073 tonnes in 2008/2009, when liberalisation began, to about 3,884 tonnes in 2013/2014 (Trade Map 2016). The difference between the erosion of banana preferences and that of pineapple preferences lay in the abrupt nature of the latter and the gradual nature of the former. Whereas the EU’s reduction in its pineapple tariff in 2002 led immediately to the near extirpation of the sector, banana tariffs are being reduced gradually. The real effect of the liberalisation of the EU banana market will be felt from 2020 onward, once the liberalisation process is complete. The case of bananas is equivalent to that of every other product for which ACP countries are dependent on the EU market.

Processed Fish

Processed fish is another area in which the refusal to sign an EPA would have threatened exportation to the EU. On average, the exportation of fish products from ECOWAS, and ACP by extension, is protected by a 20 percent GSP rate and a 24 percent MFN rate. Prepared or preserved tuna and skipjack have a GSP rate of 20.5 percent and a MFN rate of 24 percent. About 99.8 percent of Ghanaian exports and 99.9 percent of Ivorian exports in this category are destined for the EU. The processed-fish industry was central to the EPA debate, and the argument was that a refusal to sign the EPA would lead to an increase in tariff from zero under the Lomé to at least GSP rate (Agritrade 2013). For example, when “the EU warned Côte d’Ivoire – together with seven other ACP countries – that it had to sign its EPA by October 2014 or risk losing its preferences, as it cannot benefit from the ‘Everything but Arms’ scheme for exporting tuna products duty-free, quota-free in the absence of an EPA” (Agritrade 2013), the Côte d’Ivoire fisheries minister Mr Adjoumani reassured the industry that the government would sign an EPA with the EU.

However, the protection of processed fish that in part motivated Côte d’Ivoire’s signing of the EPA is now being eroded by the EU’s FTA negotiations with major suppliers. At the time of writing, in 2016, only one FTA had been signed with a fish supplier: the EU-Korea FTA (ratified only recently). This has already reduced exports from Ghana and Côte d’Ivoire in two ways (Czapnik, 2014): first, through an increase in safety measurements; and second, through a reduction in the tariffs offered to South Korean exports to the EU. Although the EU GSP for prepared/preserved tuna and skipjack has remained at 20.5 percent, the Korea FTA reduced the tariff on processed fish from Korea to 12 percent. This, along with changes in standard, has led to a decline in processed/preserved fish exports from Ghana (-1.8 percent) and Cote d Ivoire (-41.2 percent) within only two years of the FTA (Globefish, 2015). Furthermore, the Korean tariff will decrease further in July 2016 in line with the liberalisation schedule, and the EU is negotiating FTAs with other tuna suppliers.

The EU-Thailand FTA was formally launched on March 6, 2013. Thailand currently exports fish products under the GSP, and the agreement has already led to calls from local EU producers for an increase in import standards (Agritrade Executive Brief Update 2013). Even in the absence of an FTA, Thailand has become a primary source of canned tuna and a threat to the local tuna industry. The European Tropical Tuna Fishing, Processing and Trade Committee (EUROTHON), the organisation representing EU tuna producers, requested the exclusion of tuna from EU negotiations with Thailand: that is, they argued that tuna products should be excluded from the scope of tariff-elimination commitments. Thailand did not agree, because the country had long been seeking to export tuna under better tariffs. Another suggestion from EUROTHON was that market access should be linked to “a high level of compliance with sound governance, human rights and global environmental protection” (quotation from Agritrade Executive Brief Update 2013).

EUROTHON is unquestionably an interest group, not a human-rights organisation. The call for the inclusion of human rights is an indirect protection measure. FTAs between the EU and the Association of Southeast Asian Nations (which includes the Philippines as a major exporter of fish products) have also caused anxiety among local producers in the EU, especially Spanish tuna suppliers. The Spanish-based National Association of Sea and Fish Canned Food Producers submitted a report suggesting that forced labour is widespread in the tuna production chain in the Philippines and requesting an exclusion of tuna from the FTA. The report highlighted labor-standard issues and called for extreme control of raw materials from Philippine companies that do not respect labour standards (Agritrade Executive Brief Update 2013). This, again, was an expression of fear that the liberalisation of tuna from the Philippines (via a decrease in the current 24 percent tariff) would affect the Spanish industry (Agitrade 2012).

EU tuna producers are also anxious about ACP tuna exporters. EU regulatory requirements on SPS standards and illegal, unreported and unregulated (IUU) fishing have already decreased tuna exports from the ACP to the EU. For example, the EU banned tuna exports from Ghana in 2013 due to the latter’s failure to meet new IUU fishing regulations (Effah, 2015). The effects of new FTAs on standards and the possible displacement of ECOWAS products cannot be calculated at this stage. Negotiations with India, the United States, Vietnam and Chile (all tuna suppliers) are also in progress. As Isabelle Ramdoo argued, EU bilateral trade has not only reduced the market space available for ECOWAS exports but, more importantly, caused changes in standard (Ramdoo, 2015: 13). The EU installs a new standard at every FTA. Ramdoo feared that ECOWAS would be required to compete with constantly increasing standards and more stringent regulations following the installment of EU mega-FTAs.

Following the theoretical statement of threat-induced diversification, the erosion of trade advantages is a positive development because it will expose the sub-optimal sectors to more threats and force ruling elites to diversify. However, the erosion of trade advantages is not absolute. In the cocoa sector for example, there is no such erosion of trade advantages because both Ghana and Côte d’Ivoire are the second and first world largest exporters of cocoa beans in the world. The erosion of sectors like banana and pineapple will reduce the market advantages but not eliminate it. To conclude this sub-section: apart from export products for which global specialisation is concentrated in West African countries, such as cocoa, all of the preferential advantages conferred by the Lomé Convention, which the EPA was signed to preserve, are currently in danger of erosion. The extent to which preferences are eroded will be determined on a product-by-product basis, according to individual FTAs signed by the EU. The ECOWAS pineapple industry has already been eroded through a reduction of tariffs and an increase in standards. The banana and processed-fish industries are currently being eroded. In products such as natural rubber, raw cotton and raw cocoa, there is a zero-percent tariff under both the GSP scheme and the MFN scheme, so the EPA is irrelevant. In other exports, such as vegetables and fruit, there is also an erosion of preferences through FTAs due to the presence of more competent suppliers. Space does not permit us to look into every single product, but the principle is the same for all. As these preferences are eroded, West African countries will have to diversify away from existing suboptimal products into other sectors. The effect of the EPA on diversification is even more important in light of this.

### ***EPA and Diversification***

The term “economic diversification” usually refers to the diversity of either economic activities or markets. The term is used here primarily to denote the diversity of economic activities. This section is an attempt to measure the effects of the EPA on the possibility of diversification, or the space available for diversification, in ECOWAS. Using the limited evidence available to date, I will show that the EPA has instituted a division of labor—or consolidated an existing system of divided labor—between ECOWAS and the EU by preventing the former’s diversification into areas in which the EU has a production advantage or interest.[[35]](#footnote-35)

There are no *ex post* data with which to measure the outcomes of the EPA, as the trade system has yet to be ratified on the national level. However, theoretical submissions (Chang, 2008; Schumacher 2012: 86; Spero and Hard 2009: 201; Goldstein 2009: 57; Shaikh 2007: 29) and the EU’s copious publications on the subject (EC 2007; EC 2008; EC 2012; UK Parliament Committee 2014) indicate that any complete free-trade system instituted between the EU and ECOWAS will prevent members of ECOWAS from engaging in diversification. The list of products excluded under the EPA, which represent 25 percent of imports, was thus partly designed to aid diversification. However, there is a problem with the use of the exclusion list for diversification, because it constitutes a static inventory of products excluded from the liberalisation commitment from the outset, and plans for future diversification (products, method, etc.) were unknown at the point of constructing the list. Changes in factor endowment, technology and/or political/economic circumstances can change the calculations required for diversification. It is impossible to pinpoint future diversification trajectories at a given moment.

Nigeria, for example, agreed to sign an EPA and contributed to the exclusion list in 2014. However, a few months after the regional agreement was signed, a sustained reduction in the price of crude oil (the country’s main export product) altered the national circumstances, leading the government of Nigeria to refuse to ratify the EPA. Comparably, Ghana and Côte d’Ivoire selected different products for exclusion in 2007 from those selected in 2014. New problems in a particular sector (the extirpation of the pineapple sector after 2002, for example), the discovery of new resources, changes in the composition of ruling elites, commodity price reductions, etc., can all affect decisions on the selection of sectors for development. The EPA exclusion list is static and does not take into account such changes.

Furthermore, the excluded products were all selected to protect existing production systems, rather than to facilitate future diversification. None of the products on the exclusion list have been selected for future diversification. The excluded products constantly changed as the EPA negotiation process was extended. For example, in 2007-2008, the list (that is, the working list during negotiation and the list used in the interim EPA) was influenced by the global food crisis of 2008, following riots in the streets of several West African countries. As the negotiations were delayed into 2010 and 2011, and the food crisis ended, the working exclusion list changed again. In the final EPAs, the excluded products (footnoted above) were selected to limit the erosion of existing production systems.

On the full implementation of the EPA, the opportunities for diversification will be twofold, as follows.

1. Diversification into products in which the EU has no production advantage or interest. This amounts to a division of labour between ECOWAS and the EU.
2. Diversification into products on the exclusion list agreed by ECOWAS. Although limited, as shown above, there is still space for diversification: if a product was nominated by Nigeria, for example, Ghana could diversify into it.

The first opportunity for diversification arises from the nature of the international division of labour. The EU and ECOWAS exchange complementary products, typically raw materials for finished products. This process was fundamental to the colonial economic system, and under the EPA, products not produced in the EU continue to be realistic areas of specialisation for West African countries. Any attempt to diversify into a new economic activity/specialisation has to be tested against importation from the EU. ECOWAS will concentrate on products that the EU does not produce or export (such as cocoa and coffee).

An example is cashew-nut production in ECOWAS. Côte d’Ivoire and Ghana recently diversified into cashew-nut production—an example of the first category of diversification. Cashew production has increased massively, with 420,000 tons produced in 2012 in Côte d’Ivoire; Ghana’s harvest was smaller (FAOSTAT 2014). Côte d’Ivoire is now the world’s second largest exporter of cashew nuts, to which the government turned after the extirpation of the pineapple sector (World Bank 2013: 4). The sector emerged naturally, without the assistance of government policy intervention (ibid.). However, the returns on this product are extremely low, and the sector employs unskilled workers. As the EU has no interest in producing or consuming cashew nuts, neither the Ghanaian nor the Ivorian government saw the need to protect the product in their respective EPAs. Ninety-five percent of the Ivorian output of cashew nuts is exported to India and Vietnam (Bavier 2014). As the EPA permits diversification into products in which the EU has no interest whatsoever, there are no potential imports with which to compete.

The second possibility for diversification is to select products from the exclusion list. Although the excluded-product list was instituted to protect current domestic production, there is still space for diversification. For example, as Nigeria nominated cement and Côte d’Ivoire nominated processed fish, Nigeria is now required to protect fish and Côte d’Ivoire to protect cement. Therefore, Nigeria can diversify into processed fish and Côte d’Ivoire into cement. West African countries may end up pursuing identical programs for the development of excluded products nominated by other members. That is, country B could diversify into the specialisation of country A on the grounds of its presence in the general exclusion list. This phenomenon of “regional obstruction” was observed even before the implementation of the EPA, as countries such as Ghana, Côte d’Ivoire, Mali and Senegal pursued identical development plans for products named or nominated for the exclusion list by other countries.

Regional obstruction recently led the Ivorian government to reverse its plan to develop poultry, due to the advent of a similar plan in neighboring countries. As soon as the EPAs were signed, most ECOWAS countries instituted individual poultry development programs, making it difficult for a single country to dominate. I extend this argument by assessing the Ivorian poultry sector from its successful early industrial experiments to the point at which the development program was reversed due to regional obstruction. In sum, products on the exclusion list are not only an impossible choice for future diversification; in addition, national advantages, which led various ECOWAS countries to include certain products in the exclusion list, are threatened.

### *Regional Obstruction: The Chicken Experiment in Côte d’Ivoire*

This brief case study shows how the EPA affected Côte d’Ivoire’s poultry sector and the emergence of similar poultry development schemes in neighboring countries, following the conclusion of the regional exclusion list, which removed the regional market targeted for the exportation of Ivorian poultry products. The poultry case resembles that of most products on the exclusion list.

Poultry production can take forms ranging from background or informal production to highly mechanised export-oriented production. Background production with limited sales was the main mode of production in Côte d’Ivoire until the government created the Société Ivoirienne de Productions Animales (SIPRA) in 1976, with the aim of developing a modern poultry sector. Local poultry farms developed organically after 1976, with no real policies or strategies. The sector, which limitedly supplied local demand, provided jobs for tens of thousands of workers up to the late 1990s. An insignificant 2,000 tonnes of chicken were imported yearly by 1999-2000 (FAOSTAT 2014) to support local production; 23,000 tonnes were slaughtered to supply local demand in the same period (FAOSTAT 2014). This minor industry was completely extirpated in the early 2000s by a combination of trade-liberalisation policies and EU-market reshuffling. The government’s effort to revive the minor industry was successful, leading to a development attempt.

In terms of EU market reshuffling, the demand for certain chicken parts in the EU market required local poultry firms either to find a market for their residue or to dump unwanted parts in the sea (Carmody 2013: 1977; Hermelin 2004: 3). Before the early 2000s, Russia provided EU chicken producers with a market for this residue. Subsequently, however, the Russian government decided to protect its own chicken industry by creating a quota for European imports. As Russia was not a WTO member at this point, the action went undisputed. From the early 2000s, West Africa became the chief destination for EU producers’ unwanted chicken parts. In Côte d’Ivoire, poultry imports from the EU increased by 650 percent between 2001 and 2003 (Schwartzman 2013: 106; IPS 2008: 5). As a result, 1,500 small poultry farms closed and tens of thousands of jobs were lost (FAO 2011: 73). By 2003, domestic production had fallen to 7,500 tonnes, a third of the 1997 figure (Zamble 2010). The price of these EU chicken imports deserves further attention.

According to Benedicte Hermelin, the cost of buying and feeding a chicken to the point of consumption in Côte d’Ivoire was approximately €1.98/kg in 2003. In the same year, frozen chicken was sold at €0.82/kg (Hermelin 2004). Ivorian consumers of EU-produced chicken paid only a fraction of the prices paid by European consumers. In 2003, EU consumers bought their chicken for an average of €4.86/kg (all grades of chicken), whereas imported chicken was sold for as little as €0.5/kg in Abidjan and all West African harbours. It retailed at a maximum of €0.80/kg in West Africa (ibid.). These dramatically low prices have been explained as the effect of subsidies and dumping (Asche 2008: 81; Carmody 2013: 23), but this explanation is somewhat specious, as chicken producers in the EU received no direct subsidies at this time. Although subsidies in other sectors trickled into the poultry sector via a reduction in factor costs and thus production volume, there was no direct relationship.[[36]](#footnote-36)

 According to Hermelin, the huge difference in the prices available to European and West African consumers is due to the fact that EU exports are usually frozen cut pieces such as legs and wings, for which there is no market in Europe (Hermelin 2004: 26). The EU Directorate-General of Trade used the same argument in response to dumping charges: “we are not dumping poultry parts in Africa [...] the parts exported to Africa are parts not meant for consumption here. They would be fed to animals…parts that would be dumped in the sea” (quoted in Carmody 2013: 1977). Again, however, this is only partly correct, because whole chickens are also sold cheaply on the West African market. The full explanation involves product standards, since as Mehdi (2008) notes, chickens imported to West Africa are not labeled, and are usually past their expiry dates.

At the end of 2004, the government of Côte d’Ivoire imposed a 1,000 XOF/kg import tax to protect the local production system (Rakotoarisoa et al 2011: 73). The poultry industry was not particularly significant to Côte d’Ivoire as a potential export sector; the government’s decision to protect the local industry was due to concern for the livelihoods of poultry farmers, as well as reverse linkage with other sectors. For example, the importation of cheap chicken parts affected producers of crops such as maize, who depended on domestic poultry for their market. The consumption of other meat products, such as beef, was also affected by cheap chicken imports. The import taxes increased the price of imports by 100 percent (Zamblé 2010).

This protection revitalised the local industry simply by making imported chicken more expensive. See Figure 7.1 below.



Figure 7. 1. Quantities of Poultry meat imports from 2000 to 2011

Source: FAOSTAT (2015)

As the figure above shows, there was a drastic change in chicken importation in 2002. By 2006, barely two years after the government’s decision to protect the industry, the trend in imports had totally reversed. The tax was placed on imported poultry by-products rather than by-products from the originating country. EU chicken imports were specified. As a result, EU chicken imported from neighboring West African countries was also subject to the tax. The effect was an increase in the price of all EU chicken by at least 100 percent. Prices rose from 500 to 1000 CFAF ($2 or €1.80) per kilogram after the institution of the tax (World Poultry 2010).

It is worth noting that the price of chicken was still lower than that paid by EU consumers (in France, for example, the average price paid for chicken in 2006-1007 was €3.99 per kilogram), but it was enough to revitalise the domestic industry. In a 2012 report, the World Bank questioned the wisdom, consistency and legality of the government’s protection tax with reference to the interests of the poor and WTO rules. The report states that, “contrary to popular opinion, these chicken parts are not ‘dumped’ by the definition of WTO, but instead represents a cheap by-product of foreign markets which demand white meat but have no use for the associated brown meat” (World Bank 2012: 11). In conclusion, the report stated that “it would be important to assess the impact of these import taxes on poor consumers” (ibid.).

Nevertheless, the protection not only led to the revival of the poultry sector but created a potential export sector. The increase in chickens slaughtered and chicken stock is shown in Figures 7 and 8, respectively.



Figure 7. 2: Increase in chicken stock in Côte d’Ivoire from 2004 to 2013



Figure 7. 3. Increase in chicken stock in Côte d’Ivoire from 2004 to 2013

Source: FAOSTAT (2015)

By 2008, domestic stock had exceeded 60,000 tonnes, and the number of chicken slaughtered had also increased. In 2012/2013, the country had 88,300 tonnes’ worth of stock, with minor export experiments to neighbouring countries, and the number of chickens slaughtered had increased even further.

With no clear plan, Côte d’Ivoire started to export a large number of eggs and a small amount of chicken to neighbouring countries such as Ghana and Liberia, which are major chicken importers from the EU (FAO Ghana 2014: 8). After reviewing the policy in 2010, the government of Côte d’Ivoire decided to recommit to the protection of chicken, and instituted an additional 10-year development plan to modernise the industry for exportation. The election of 2010/2011 and the subsequent political crisis stalled the process. But when the new government settled into office in 2011, it conducted another review, and the new policy makers were even more committed to the idea of building a development program based on the successful experiment.

The new administration reviewed the poultry sector and decided to pursue a development program based on the success of the revitalisation experiment. The tax on EU chicken was increased, and a new Plan Stratégique de Relance de l’Aviculture Moderne was launched in 2012 to modernise the sector and build an export sector (IMF 2012: 73). This plan included a new 10-year program entitled the Modern Poultry Farming Strategic Stimulation Plan, 2014-2024. The first wave of investment in SIPRA amounted to 17 billion CFAF, with the aim of doubling Côte d’Ivoire’s poultry output every two years. The second investment tranche, which amounted to 3.5 billion CFAF, was directed toward the construction of several complexes in southern Côte d’Ivoire over a two-year period, which were expected to increase the output of eggs by 70,000,000 (The New Alliance 2013: 8). The exportation of eggs was lucrative because neighboring countries that depended on cheap EU imports were the target market. As countries importing cheap EU chicken had a shortage of eggs, Côte d’Ivoire became a major egg exporter.

The Africa Development Bank agreed to finance the establishment of 97 mechanised poultry farms (IMF 2012: 78). SIPRA, a government parastatal in charge of chicken production, sought and received grants from the International Finance Corporation in 2012 and the Africa Trade Fund in the following year to construct poultry-production sites with larger storage facilities to support the poultry export industry (Blyth 2012). The government also invited private foreign firms to invest in the poultry sector. Injaro Agricultural Capital Holdings and other private investors signed an agreement with the new government to invest in local poultry input-supply in Côte d’Ivoire (this agreement has since been rescinded). Sylvain Gotta, the General Director of SIPRA, explained in an interview that the development plan was designed such that Côte d’Ivoire would start exporting chicken to the sub-regions of ECOWAS before searching for bigger markets in Africa (interview in MarcoPolis November 8, 2011). However, since the completion of the EPA and the inclusion of poultry in the list of excluded products, regional ECOWAS countries have all instituted similar chicken-development schemes and instituted protection against Ivorian chicken exports.

The modernisation scheme was reversed after the instalment of the EPA. Chicken was named as an excluded product in the Ivorian 2007 interim EPA, enabling the poultry experiment to continue, and in the final EPA in 2014. ECOWAS concluded the EPA on July 10, 2014, and the Ghanaian Ministry of Food and Agriculture launched a poultry-revitalisation program six days later, on July 16, 2014, removing Ghana as a potential market for the Ivorian product (Neequaye and Kwofie 2014; FAO 2015:5; Kortekaas 2014: 7). The minister argued that the exclusion of poultry from the EPA provided Ghana with the long-sought opportunity to protect poultry and rebuild its domestic sector, which had been destroyed by cheap EU imports. The Ghana Broiler Revitalisation Project was thus launched only weeks after the conclusion of the EPA to increase local capacity in the production, processing and marketing of broiler chicken across ECOWAS and other regional markets. The aims of the program, similar to those of its counterpart in Côte d’Ivoire, were to make Ghana self-sufficient and to develop chicken as an export crop (Doe 2015). The program included protection from the regional market (through ECOWAS CET exclusion list) and outside imports. Liberia, Senegal, Mali, Benin, Burkina Faso and Gambia also instituted similar poultry-development schemes between June and August 2014. The reversal/scaling down of the poultry-development scheme in Côte d’Ivoire by the close of 2014 can be seen from this perspective. After signing EPAs, individual ECOWAS countries selected similar products for their respective CET exclusion lists (from other ECOWAS countries). Ghana thus imposed protection against Ivorian poultry to develop its own poultry industry. Senegal, Mali and Burkina Faso, which were shaping up as potential markets for Ivorian exports, all imposed protection from ECOWAS to support local industries.

Regional Obstruction in Other Sectors

Regional obstruction is not unique to the poultry sector. Cement, textiles and clothing, plastic items, sugar, meat and meat products, and other products on the exclusion lists have also displayed this pattern.

To take the example of cement: The Nigerian government had since 2002 protected the local cement industry through the Backward Integration Policy, which entailed import control and a protected market for the industry (Ohimain 2014: 71). Within ten years, the local production output had increased from 2 million tons to about 28 million tons. Due to the success of the 2002 policy, an indigenous Nigerian company (Dangote Cement) was able to establish plants in seven African countries. Cement was nominated by Nigeria for exclusion to ensure the continuation of the development policy. But only a month after the signing of the EPA, the Ivorian government launched a program to seek foreign partners for the development of domestic cement production for the regional market. The government regarded the inclusion of cement on Nigeria’s protected list as a motivation for the development of the sector. Ghana, Benin, Liberia, Tanzania, Sierra Leone and Togo all sought foreign investment for cement production only two months after the signing of the EPA. The Ghanaian government started to construct a cement factory with a 1 million tonne capacity in the month following the signing of the EPA (CIMAF 2014). It may prove difficult to displace Nigerian cement, because Dangote Cement is a regional investor (for example, there is a plan to open a 1.5 mt grinding plant in Abidjan in 2016); however, the pattern of regional obstruction is clear.

A month after the EPA, the Ghanaian government announced the protection of local cotton and textile companies through a new development program (Ghana GOV 2014), and the Ministry of Trade and Industry created a sugar-development program for the regional market. Several sugar factories are currently in construction (address by President John Mahama, August 2014; Buadu and Smith 2014). Meanwhile, Senegal, Mali, and Nigeria have a massive sugar export capacity, and Senegal and Nigeria have nominated sugar for exclusion. The immediate effect of the EPA on ECOWAS appears to have been a move toward uniformity in development policies across the sub-region.

Regional obstruction creates opportunities for fragmentation in certain economic activities, based on the theory of the global value chain. Indeed, the Africa Development Bank recently analysed the emerging value chain in the cement industry, and showed that Dangote Cement subsidiaries are gradually fragmenting the company’s quarry-to-depot production as well as its transportation and logistics. Dangote Cement currently has fully integrated cement value chain activities in three plants in Nigeria, and plans similar activities in Cote d’Ivoire, Gabon, Ghana, Guinea, Liberia, Senegal and Sierra Leone. The government’s policy focus on domestic cement production in Ghana and Cote d’Ivoire, as well as in other ECOWAS countries, will thus help to develop this value chain and promote domestic production (OECD 2014: 4). But the same cannot be said of products such as poultry, or indeed most of the other farm products listed for exclusion.

## Conclusion

This chapter is divided into two parts. The first part demonstrates the relationship between the EPA and domestic political survival in West Africa. West African countries negotiated and signed EPAs in an effort to maintain the trade advantages of the Lomé Convention, the absence of which would eradicate certain export sectors in Ghana and Cote d’Ivoire and in turn pose a threat to ruling political elites (given the link between political and economic order). The absence of this dependency in Nigeria delayed the acceptance of the regional EPA. Although some scholars have stressed the importance of transnational factors, such as advocacy groups, to the apparent limitation of EU market power, it was the absence of Lomé-sustained sectors in Nigeria that led to the initial rejection and subsequent prolongation of the negotiation process. Nigeria later agreed to sign the trade system following a massive increase in financial aid and, more importantly, due to the fear that refusal to sign the trade agreement would lead to the disintegration of the ECOWAS region.

The advantages of the EPA are unclear, especially for Nigeria. There has been no increase in market access; on the contrary, preferences that the EPA was signed to preserve have been eroded. Unrelated developments in the EU have further reduced these preferential advantages. A reduction in GSP accompanied by a change in standard in the early 2000s led to the extirpation of the West African pineapple sector. In this chapter, the examples of the banana and fishery sectors are used to demonstrate the gradual erosion of the trade preferences that the EPA was signed to preserve. The ultimate outcome of the liberalisation process will be assessed in future studies, but the pattern of preference erosion is clear at this point.

In the long term, the erosion of the preferences provided for suboptimal sectors could positively affect West African countries in terms of local resource allocation or the selection of sectors for development. With the complete erosion of these preferences, factors will have to be reallocated to better and higher-performing sectors, not on the basis of EU trade protection but in light of other considerations, such as local factor endowment or increasing demand. In Côte d’Ivoire, bananas and pineapples have been produced since the end of the colonial era, yet these products have never been internationally competitive. Their collapse could bode well for West Africa in terms of factor reallocation to promising sectors. The World Bank argued that the collapse of the pineapple sector following changes in EU market arrangements in 2002 led the government of Côte d’Ivoire to find a replacement: cashew nuts. Whereas Ivorian pineapples have not been competitive outside the protected environment of the EU since the late 1950s, cashew nuts represent an organic sector whose survival is not dependent on artificial trade or price advantages. The destination of cashews is Asia (India and Vietnam), and within a short time Côte d’Ivoire has become the world’s second largest exporter of cashew nuts.

As shown above, a reduction in the protection provided by the Lomé trade systems will force West African countries to diversify into other systems of specialisation. However, the EPA has also reduced the space for diversification. This led Nigeria (to the irritation of the EU and other ECOWAS countries) to reconsider the ratification and implementation of the EPA at the national level. More than two years after the regional agreement was completed and signed, the most populous West African country refused to sign a national EPA due to the recent reduction in the price of crude oil and the consequent necessity for diversification.

The EPA greatly reduces individual countries’ opportunities to diversify, due not only to the liberalisation of 75 percent of imports from the EU but also to the internal restructuring created by the regional exclusion lists. The products on the exclusion lists, which are often cited by the EU to counter the accusation of limiting diversification, were chosen specifically to protect existing production system, and thus cannot be regarded as conducive to diversification. Furthermore, in excluded products in which one West African country has obtained a production advantage (through years of protection, for example), such advantages may be eroded due to regional obstruction. What I term regional obstruction is a process whereby every country in the region pursues the same development policy based on a list of common excluded products. The government of Côte d’Ivoire recently rescaled its plan to develop chicken due to the introduction of identical plans by all of its neighbors, which blocked the regional market. The products excluded under the regional EPAs are almost identical to those excluded under the CET. As a result, most ECOWAS countries pursue the same economic policies on the basis of the trade system with the EU.

# Chapter 8: Conclusion

## Introduction

The aim of this thesis is to examine the effects of the EU-devised trade system with West African countries. This trade and development relationship has been in place, albeit in different forms, since West African countries gained independence in the 1960s.The central argument of the thesis is that the EU-devised trade system altered the political rationality or political strategies for survival of West African ruling elites, resulting in the extension of the colonial division of labor, which in turn perpetuated an outdated mode of production and prevented a political drive towards economic diversification. A theory based on the political survival of ruling elites is used to advance this argument (Whitefield et al., 2015, 11; Doner et al., 2005; Geddes, 1994; Acemoglu and Robinson, 2006; Bueno de Mesquita et al., 2004; Booth and Therkildsen, 2010; Khan, 2010). This theory shows how ruling elites’ pursuit of survival is “translated into incentives to behave in one way rather than another as a result of the specific characteristics of the political and socio-economic system of the country” (Booth and Therkildsen, 2010, 8). The argument of the thesis is that the interaction between the EU trade and development systems (especially given their installation at the end of the colonial system/beginning of independence) and ruling elites’ bid for political survival led to system of “permanent extraversion,” whereby local economic problems were solved through assistance from the EU rather than endogenous institutional change. The core contribution of this thesis is to show how this interaction led to the absence of economic change in West Africa and postulate a more diversified and developed region in the absence of the EU trade system.

The absence of change is thus the empirical focus of the thesis. At every stage of the trade and development system (the Yaoundé Convention, the Lomé Convention and the Cotonou Agreement, respectively), ruling elites in West African countries negotiated with the EU to protect their existing economic systems against crisis (through price support and market preferences). Uncompetitive products thus formed the basis of several West African export sectors. The counterfactual argument regarding the EU trade system, demonstrated clearly in the comparative study of Ghana and Côte d’Ivoire in Chapter Five, is that in the absence of the EU trade system, ruling elites would have had to negotiate their survival differently – that is, by promoting economic change (seeEvans, 1997, 5; Doner et al., 2005; Leftwich, 2008, 13) – or face dislodgment. As political survival requires elites to achieve a minimum level of economic performance, the failure to do so threatens their position (Khan, 2010, 44). In this thesis, the trade systems are assessed separately and somewhat disjointedly. The Yaoundé Convention is the subject of the Fifth chapter, via a comparative study of Ghana and Côte d’Ivoire. The Lomé Convention is the focus of the sixth chapter, and the Cotonou Agreement is the focus of the seventh chapter.

This concluding chapter mainly revisits and highlights some of the main themes from the main body of the thesis. It is structured as follows: restating the theoretical propositions in the first section; summarizing the main findings in the second section; and drawing conclusions regarding both the EU trade system and international development at large in the third section. In the concluding remarks, I suggest directions for future research and deal with the question of the counterfactual.

## Theoretical Restatement

In this section, I restate the theoretical position adopted in the study and outline its main theoretical contribution. Drawn out from Douglass North’s Limited Access order, the theoretical approach taken in this work is derived from the argument that the motivations of ruling elites and the calculations and strategies undertaken to ensure their survival offer significant insights into domestic development trajectories (North et al 2009; Whitefield et al., 2015; Khan, 2010; Doner et al., 2005). Politically induced economic change (pursued by ruling elites) is more likely to occur when such deviations serve the power interests of ruling elites; for example, when diversification is necessary to correct or deflect an economic threat to political power (Evans, 1997, 5; Doner et al., 2005; Leftwich, 2008, 13; Booth and Therkildsen, 2010). Peter Evans captured this sentiment in the following submission. “As political survival and internal peace are more often defined in economic terms, states have become responsible for economic transformation” (Evans, 1997, 5). In this formulation, Peter Evans linked political survival on the one hand with economic transformation or diversification on the other. In other words, the pursuit of political survival in the face of economic threat leads to economic transformation (see Doner et al., 2005). The theoretical literature used in this study explains the political origins of economic transformation in terms of the attempt to avert political disorder (actual or prospective) in pursuit of political survival (Mann and Berry, 2016; Whitefield et al., 2015).

With recourse to extraversion, the use of foreign assistance to maintain domestic power, political elites can guarantee their political survival without having to go through the arduous process of economic transformation. Foreign aid and the bail-out systems operated by international financial institutions have been criticised as systems of extraversion that remove the political motivation to implement institutional and economic changes (see Moss et al., 1996; Bueno de Mesquita et al., 2004, 42). In this thesis, however, extraversion is treated slightly differently from aid and bail-out systems: it is defined as the use of foreign assistance to preserve domestic industries on which political systems are based. In the EU-devised trade and development system, African ruling elites have repeatedly negotiated to ensure that existing (at the time of installment) export systems are protected against crisis. Ruling elites in West African countries use the trade and development system to guarantee their position against internal threats arising from economic uncertainties. As uncertainties threatening ruling elites are necessary to instigate changes – as indicated in the above quotation from Peter Evans, and long documented in the literature on the origin of the developmental state (Naseemullah and Arnold, 2012; Doner et al., 2005) – the EU trade system has become a conduit for the extension of existing economic systems, irrespective of their viability or competitiveness. As a result, the production of some uncompetitive export products, such as bananas and pineapples, has been perpetuated for half a century under the trade and development system.

The theoretical literature does not explicitly take into account the EU’s side of the trade and development system (neo-colonialism or co-development), in terms of the gains accrued by the EU. But in essence, there is a reciprocal connection between the use of the trade systems by domestic ruling elites for extraversion on the one hand, and by the EU to fulfill neo-colonial as well as paternalistic ambitions in West Africa on the other. For example, in the Yaoundé Convention (1963-1975), ruling elites entered the trade negotiations in a colonial context (Rivkin, 1967), and thus wanted the colonial economic system to persist to ensure their political survival (Jalée and Klopper, 1969). The EEC, on the other hand (under the direct direction of France), entered the negotiation process with the declared intention to maintain its colonial influence in West African countries (Zartman, 1972). This merging of interests produced the provisions of price support and market preferences (requested by West African political elites) and the opening of the West African market to EEC products (requested by the EEC, particularly France).

This conjunction was much more pronounced in the negotiations that led to the Lomé Convention in 1975. As John Ravenhill argued, ruling elites from the former colonies wanted the EEC to provide price guarantees for their raw materials (Ravenhill, 1985, 21). However, the negotiations commenced in an era of great commodity uncertainty in the Western world, following the commodity crisis of 1973-74 (Brown, 2002, 49). The EU thus entered the Lomé negotiations with a view to securing raw materials (Ravenhill, 1980, 150; Gowland et al., 1985, 81; Adebajo, 2012, 89; Torrent, 2012, 239). As a result, the Lomé trade provisions reflected both extraversion and neo-colonialism. They included provisions designed to guarantee the supply of raw materials for the EEC while at the same time guaranteeing the prices of these raw materials. Whereas writers such as Michael Dolan and Lynn Mytelka argued that the Lomé Convention was an extension of the colonial division of labour (Dolan, 1978; Mytelka, 1977), others have seen it as a triumph for the ruling elites of the former colonies (Ravenhill, 1985; Frey-Wouters, 1980). Both positions are fairly accurate when viewed from different perspectives.

Finally, there was also a give-and-take transaction in the negotiations that led to the Cotonou Agreement. During the Cotonou Convention, the EU proposed a free-trade system (the EPA) that most West African countries opposed outright (due to the supposedly devastating outcomes of previous liberalisation attempts). However, the EPA was predicated on the continuation of Lomé trade advantages, in which ruling elites in several West African countries had an interest. The EPA has therefore been seen as both an aggressive commercial bid by the EU (Heron, 2004; Soludo, 2012; Langan and Price, 2015; Canterbury, 2010) and as a means of preserving previous trade advantages that are important to West African societies and ruling elites in particular (Czapnik, 2014; IMF, 2008; EU, 2014). This interactive relationship between neocolonialism and extraversion has been present throughout the series of trade systems. Extraversion can therefore be seen as a license for neo-colonialism. The absence an extraversion strategy to Nigerian political elites led to the delay in Nigeria’s acceptance of the EPA.

My main theoretical contribution to the literature on the political survival of ruling elites is the use of minimum economic performance to explain political changes and to draw attention to the potential contaminating effect of foreign development interventions on domestic political survival strategies, with the ultimate outcome of preventing political and economic change. If, as Peter Evans argued, the pursuit of political survival directs ruling elites towards economic transformation, economic transformation will be prevented if political survival is provided for or guaranteed exogenously. Development interventions designed to avert domestic crisis can be detrimental to progressive institutional change, as such crises (or the threat of crisis) are critical junctures leading to institutional and developmental changes (Mann and Berry, 2016). The implication of this contribution is that whilst foreign development interventions might be a direct conduit to political order in developing countries, they are also likely to impede developmental change. Indeed, one of the empirical findings reported here is that West African countries associated with the trade system experienced less political crisis and more political stability in the 1960s than the unassociated West African countries. The ruling elites of the unassociated West African countries attempted to diversify because their survival depended on it, supporting Peter Evans’s submission.

## Summary of Findings

The general focus of the thesis is the post-colonial era. On a discursive level, however, the EU-devised trade system was a conduit, as it was originally designed to be, for the extension of the paternalistic relationship that existed between Europe and Africa in the colonial period (Hansen and Jonsson, 2014; Cosgrove, 1969). The duty to develop, which was inflected by the civilising mission of the 19th century and informed the colonial mission of the post-1939 period, was extended beyond the colonial era under the terms and provisions of the trade and development system. This is the basis of the fourth chapter. In its integration project, the EU imposed upon itself the duty to develop the (former) colonies. Nevertheless, this discursive extension does not necessarily translate into an extension of the colonial economic system.

The study has no single unified empirical methodology: as the trade systems are dynamic, a static method of analysis cannot be applied. The first of the empirical chapters (Chapter Five) compares Ghana and Côte d’Ivoire, on the basis that the former was outside the trade system and the latter was within it. The two countries share an export product – cocoa beans – and have a similar economic structure. The mandate of Chapter Five is to show that the EEC trade system was a system of extraversion that prevented politically induced diversification and economic change. In Ghana, only four years after independence, a crisis in world cocoa prices threatened the political survival of ruling elites (Harringan and Younger, 2000, 191; Herbst, 1993, 19). The Nkrumah government responded by creating a scheme to diversify away from cocoa. As this was done to ensure their political survival, it fits Peter Evans’s submission. Attempts to diversify away from cocoa production occurred in 1961, 1965 and 1970/71, all prompted by a reduction in cocoa prices and the consequent threat to ruling elites. This pattern was present in all West African countries that were not associated with the Yaoundé trade system. For example, the ruling elites in Guinea diversified into minerals when commodity prices dropped in 1960/1961 (World Bank, 1966, 12).

In Côte d’Ivoire, on the other hand, ruling elites used the Yaoundé Convention to guarantee the existing economic system through a system of price support and market preferences. As export products such as cocoa, coffee, bananas and pineapples received price support; Côte d’Ivoire evaded the threat faced by Ghana and Guinea (Alschuler, 1988, 96). Coffee alone received price support amounting to roughly 50 percent above the world-market level in the first half of the 1960s (Lawson, 1975, 207; World Bank, 1963, 10). This system of extraversion insulated the ruling elites of Côte d’Ivoire from the threat that would have otherwise arisen in the absence of the trade advantages. There was thus a divergence between Ghana and Côte d’Ivoire that extended to other West African countries.

The political crises that threatened the Nkrumah administration in 1961 and the military coups of 1965 and 1972 were all related to a drop in cocoa-bean prices (see Chapter Five). Political crisis (or the threat of crisis) and economic diversification are therefore part of the same process (Evans, 1997; Doner et al., 2005). This finding contributes to a body of literature showing how threats to political survival are critical junctures that explain institutional changes (Tilly, 1985; Mann, 1986; Ertman, 1997; Doner et al., 2005; Mann and Berry, 2015). The historical branch of the literature (such as Charles Tilly’s “war makes state” theory) examines other kinds of threat: war, the threat of uprisings by underclasses, etc.

It seems, therefore, that the Yaoundé Convention may have contributed to short-term political stability in the 1960s to the extent that it protected existing economic systems; and that economic crisis would have been likely to lead to political crisis in Côte d’Ivoire owing to the country’s existing fissiparous issues (McGovern, 2011, 77). On the whole, the affiliated countries enjoyed more political peace/order than the unaffiliated countries, due to the link between economic stability and political order. Correspondingly, the growth differential between Ghana and Côte d’Ivoire in the 1960s can be attributed to the EEC trade system (Green 1971, 235; Tuinder 1978, 99). In Ghana, the annual growth rate of gross domestic product (GDP) in constant prices decreased from 4.8 percent in 1961 to 1.1 percent in 1968 (Steel, 1972, 215). Ghana’s growth rate was very disappointing compared with that of Côte d’Ivoire or any other associated country, such as Mali or Senegal. Côte d’Ivoire grew at 7 percent per annum all through the Yaoundé period (Tuinder, 1978, 3). With almost no diversification, Ivorian growth was fueled by the expansion of the colonial market from France to other EEC members (ibid*.*, 99).

The case study of Ghana in the 1960s would have been much more forceful if the diversification attempt had succeeded. However, the goal of this thesis is to explain the political origin of diversification/economic transformation/institutional change (and show how it has been blocked through extraversion), not its success. Other factors contribute to the success of diversification and economic transformation. Even so, there is an argument to be made that Nkrumah’s development effort was not exactly a failure, as it is generally conceived. As documented in Chapter Five, there was a sharp disconnection between the policies of Nkrumah and his military replacement, in that the military government was devoted to proving the failure of the Nkrumah regime (partly to justify the military coup and their ruling position). The military government, for example, expelled foreign technical advisers manning the factories and mechanised farms created under the diversification scheme (1,100 Russians and 430 Chinese), such that even a minor breakdown of equipment brought factories to a halt, especially in the 1,205 mechanised farms established as part of the diversification scheme (Dunbabin, 1994, 282). It was this calculated attempt to undermine Nkrumah’s diversification effort that rendered the effort a failure.

To return to the issue: Ghana joined the trade system in the Lomé Convention (1975), which marks the end of the comparative study. In the Lomé Convention, ruling elites in West African countries sought to guarantee existing economic systems by obtaining a promise from the EC to institutionalise price stabilisation for existing export products (through STABEX) and to continue the preferences of the Yaoundé Convention.

However, as former British colonies joined the trade system in 1975, products that were not part of the Yaoundé Convention became part of the protection scheme under the Lomé trade system. The inclusion of new protected products under the Lomé Convention affected resource allocation in former French colonies (Ravenhill, 1985). Sugar is the example used in this study. A sugar protocol was created under the Lomé Convention, comprising a quota system wherein the EC promised to pay more than world-market prices for ACP sugar. Whilst this protocol broadly reflected the extraversion policy under the Yaoundé Convention and French colonial policy in the late 1950s, the introduction of the sugar scheme (borrowed from the British Commonwealth sugar program) was new to the former French colonies. Therefore, only three years after the Lomé Convention, 66 massive sugar complexes were in construction in ACP, of which six were planned in Côte d’Ivoire. The allocation of resources to sugar production turned out to be an instance of misallocation, causing crisis in Côte d’Ivoire. The sugar case shows the distortion of economic incentives in West African countries, whose ruling elites used the EU’s provisions to select sectors for investment/development.

Similarly, the government of Ghana in the 1980s allocated resources to banana, pineapple and coffee production (Whitefield et al., 2015), following the protection pattern established under the Lomé Convention. Researchers assessing this selection of sectors (in relation to local factor endowment, for example) have hardly ever considered the influence of the EC trade system. For example, the World Bank condemned the decision of Côte d’Ivoire to allocate resources into sugar production in 1976-78 and blamed the country’s economic crisis of the 1980s on the “ill-conceived sugar program” (World Bank, 1981, 21). However, the Bank failed to acknowledge the clear link between the Lomé trade provisions and the sugar-development schemes in West African countries at large. In addition to the sugar misallocation, the Lomé Convention extended suboptimal sectors in Côte d’Ivoire and created new suboptimal sectors in Ghana.

At the same time, the main export product of both countries (cocoa beans) reached the point of diminishing returns, and received vigorous protection by the EC through preferences and price support. This protection led in part to the extension of cocoa cultivation into a phase of post-diminishing returns. Cocoa and coffee beans were the products most vigorously promoted under the price-stability schemes of the Lomé Convention (Hewitt, 1983; Aiello, 2002; Martin, 2002, 26). The promise of STABEX (price stabilisation) did not always materialise; from the 1980s, only a fraction of the promised price support was provided. However, the EC disbursed funds to cocoa and coffee according to demand. Between 1975 and 1998, Côte d’Ivoire received more than 17 percent of the entire STABEX funding, due to its concentration on cocoa (Aiello, 2012, 13). Following the drop in the world-market price of cocoa in the mid-1980s, the government of Côte d’Ivoire paid more than world-market prices to domestic planters in expectation of reimbursement from the EC.

As cocoa is the most important export product of both Ghana and Côte d’Ivoire, it is the subject of a general case study to demonstrate the problem of diminishing returns. As documented in the case study, cocoa production has historically been determined by the availability of forestland. Planters tend to migrate to new forest areas or diversify into new products after the exhaustion of forestland. The thesis shows that cocoa production in Ghana and Côte d’Ivoire has reached the point of diminishing returns, and that intensive production is currently underway. In Ghana, the government and NGOs established various channels for deflating the adverse consequences of diminishing returns (which in the 1970s/1980s had caused a decline in cocoa production). Through the Ghana Cocoa Board (COCOBOD), the government sponsors the mass spraying of cocoa farms and distributes/subsidises fertilisers.

In Côte d’Ivoire, diminishing returns has led to an increase in poverty among cocoa planters, and cost-saving practices/technologies such as child/forced/slave labour are now widespread. Post-forest cultivation in the cocoa sector is not altogether the result of the trade system between the EU and West African countries, although the trade system is a major contributing factor. The centralised nature of the cocoa sector in West African countries is the main reason for post-forest cultivation. As the state receives most of its internal revenue from the cocoa sector, the government considers diversification as a threat to revenue, and thus uses tactics such as the manipulation of kinship networks, local power structures and prices to reverse the historical process of post-forest diversification (e.g. mass spraying and fertiliser distribution in Ghana). NGOs and international financial institutions usually support the post-forest farming of cocoa, which is also promoted by the protection of the cocoa sector under the EU trade system (via trade preferences, aid disbursement and price support).

The case study of cocoa is a major contribution of the thesis, although this was unplanned. The relevance of the cocoa case is not only that ruling elites have used trade advantages to protect the industry, but that –more importantly –in light of diminishing returns, West African countries must sooner or later diversify away from cocoa beans. The EPA (the latest manifestation of the EU’s trade relationship with West African countries) greatly reduces the possibility of diversification and thus indirectly promotes the continuation of cocoa production into a post-diminishing returns phase.

Chapter Seven provides an assessment of the most recent incarnation of the trade system, the EPA. There is currently no empirical basis for studying the EPA, because it was signed only recently and has not yet been fully implemented. As argued in this chapter, the EU used the leverage of existing trade preferences and market advantages (those of the Lomé Convention) to induce West African ruling elites to enter the free-trade system. The preferential price and market advantages provided under the Lomé Convention, which formed the basis of sectors such as cocoa (especially processed cocoa), bananas, pineapples and fish, were slated to end (following a challenge by the WTO and the EU’s desire to alter its trading regime with the former colonies), and the EPA was introduced as a replacement. In itself, however, the EPA entails trade liberalisation that greatly threatens some local industries in West African countries. The chapter shows that the market advantages (trade preferences and price advantages) that the EPA was signed to preserve are currently shrinking due to market liberalisation in the EU (via the WTO’s liberalisation commitment and changes in the GSP and FTAs), resulting in an increased need to diversify. Diversification, however, is significantly curtailed by the terms of the EPA.

In Ghana and Côte d’Ivoire, the reduction in EU trade preferences has already completely eradicated the pineapple sector, and is gradually destroying the banana export sector (due to the uncompetitiveness of the West African banana sector relative to top banana suppliers) and reducing the volume of fishery exports. The reduction in preferences may not lead to the destruction of the cocoa sector, because West African countries are the main suppliers of cocoa beans worldwide. But cocoa production faces problems of a different nature that also make diversification important. The need to diversify is also paramount in Nigeria following the recent decrease in the price of crude oil. The effect of the EPA on diversification is therefore very important.

By definition, the EPA prevents diversification in West African countries into products in which the EU has a production advantage (mature sectors) or a production interest (production induced through subsidies). However, an exclusion list (covering 25 percent of imports from the EU) features in the provisions of the EPA. In principle, therefore, ECOWAS can use the exclusion list for future diversification plans. Yet this chapter shows that the exclusion list does not offer the potential for diversification, for two reasons. First, the list reflects the desire of West African countries to protect existing production systems against the possibility of increased importation from the EU, which could destroy local production units. Second, the exclusion list has led to a process of regional obstruction whereby the product or products nominated by one country for protection against imports from the EU become the basis for resource allocation in other countries. For example, Côte d’Ivoire selected chicken for exclusion from liberalisation due to a perceived regional advantage in this product, but after the regional signing of the EPA other West African countries invested in chicken production (seizing the opportunity for regional protection), thereby shrinking Côte d’Ivoire’s advantage and market possibility. The same has occurred in most of the excluded products.

In conclusion, it seems that whilst the EPA era has changed the EU-West African trade system by shrinking trade preferences, which reduces the potential for the kinds of extraversion policies that have protected uncompetitive industries since independence, the EPA in itself removes the possibility of diversification. Existing production systems cannot be sustained if the reduction in preferences continues (for example, pineapple production cannot continue as before and the banana sector is the process of being destroyed), except in products such as cocoa, as there is no competition to displace West Africa cocoa beans in the EU market. The main benefit of the EPA appears to be the EU’s huge aid disbursement. At the time of writing, ECOWAS has not yet ratified the EPA, and it is unlikely that Nigeria will endorse the agreement, because the drop in the price of crude oil has made diversification crucial to Nigeria (and the EPA is believed to negatively affect the possibility of diversification). The future of the EPA is thus uncertain, and the gains from the EPA are even more so; in a recent report on the subject, even the World Bank was unable to list any real gains apart from the reduced cost of consumer products (due to the elimination of tariffs) (Coste and von Uexkull, 2015; MacLeod et al., 2015). From a theoretical perspective, the EPA represents a sharp divergence from the previous trade system, as it has abolished price support and begun to erode preferences. This is good news. As sectors are eroded, ruling elites will face a threat to their power and attempt to diversify as a result.

## Implications and Contributions

The political and economic implications of the findings of this thesis are as intertwined as politics and economics. In the past, the lack of economic transformation in developing countries was treated as a technical issue, but scholars focusing on industrial policies have recently come to recognise that it is politics that determines what government or ruling elites actually do (Leftwich, 2008; Khan, 2010; Whitfield and Buur, 2014, 128; Acemoglu and Robinson, 2013; Robinson, 2009). The nature of politics or elite coalitions at a given time and in a given place determines not only what is possible in terms of institutional suitability (as institutions are reflections of underlying political coalitions), but also what is politically possible in terms of the political-replacement effect (Acemoglu and Robinson, 2006). Changes to the elite coalition that underpins a particular political system/institutional arrangement or decision pattern is therefore central to the logic of endogenous institutional changes (see Capoccia, 2016, 1098; Hall, 2010; Mahoney and Thelen, 2010). A shock to the economic system is one conduit for a shift in elite coalitional patterns and the state-building process. Among the political implications of the EU trade system, therefore, is not simply the prospect of political peace and order (as presented in the Yaoundé years), but the prevention or blockage of changes to political institutions.

These two implications– the promotion of political order and the prevention of institutional change – are connected, because political disorder often leads to future political and institutional change. The link between the breakdown of political order (or the threat of collapse) and changes in political and institutional outlooks is central to the path-dependency view of institutional change (Capoccia, 2015). For example, Ghana’s currently relatively stable political system originated in the breakdown of political order in the 1960s/1970s (which was caused by a breakdown in the economic system) and its successful rebuilding by a new coalition of political elites, who achieved a new political balance (Whitfield et al., 2015, 152; Boafo-Arthur, 1999). To protect existing economic systems is to protect the composition of elites and prevent state building (see Khan, 2010; North et al., 2008). Historians have argued that state evolution and political development are turbulent processes of constant negotiation/renegotiation provoked by political, economic or social crisis (Fukuyama, 2011; Tilly, 1985; Mann, 1986; Ertman, 1997). Therefore, the EU trade system is directly linked to the processes of political development/state evolution in West African countries. By protecting political elites, the EU trade system alters state evolution in West African countries.

For example, the persistence of a post-independent political system in Côte d’Ivoire (at least until the early 1990s) would not have been possible without the EU’s trade and price support. Before independence, the groups that benefited from the plantation economy, namely the Baule and the northern Ivorians, held political power in Côte d’Ivoire. Together, they created the Democratic Party of Côte d’Ivoire, in which the country’s political and economic power was concentrated. People indigenous to the west of the country (the We, Bete and Dan people), who were the traditional owners of the forestland increasingly used for cocoa cultivation, were excluded from both kinds of power. This created ethnically based resentment among western groups (Losch, 2002; Marshall-Fratani, 2006). The breakdown of the economic system (via a crisis in cocoa, for example) would have led to a renegotiation of the political system (and accordingly economic, social and political institutions) or a displacement of the ruling elites, because political power was based on the cocoa economic system.

The institutional (or distributional) consequences of the formation of the new ruling coalition in Côte d’Ivoire included a blow to the primacy of local authorities in the western forest area, enabling the governing party to distribute land to cocoa planters. In 1962, the government introduced a bill to consolidate migrants’ position with respect to the ceded land; in 1963, it introduced the Code Domanial, mandating that all land not held under private title be registered in the name of the state (Boone, 2007, 72); and in the same year, it formulated a *mise en valeur* decree translating simply as “land belongs to whoever cultivates it” (Marian-Guyon, 2014, 17). Without the EEC’s trade and price advantages, the cocoa sector would have experienced a crisis (as in Ghana and Guinea in the 1960s), representing a critical juncture for institutional change (according to historical institutionalism) or the turbulent process of renegotiation of elite coalitions (according to historical sociology). However, factors extraneous to the EU trade system (and economic stability in general) also contributed to political stability in Côte d’Ivoire. And changes in some of these extraneous factors led to institutional mutation from the 1990s. For example, the international community pressured Côte d’Ivoire to democratise in 1990, which changed the nature of its politics from a dominant-party system to competitive clientelism (Akindès, 2004; Toungara, 2001; Crook, 1997; Bah, 2010). In addition, the death of the first president, Félix Houphouët-Boigny, in 1993 led to the fragmentation of the ruling party over the question of his successor, destroying the elite coalition that had previously held the country together (Crook, 1997; McGovern, 2011, 77; Woods, 2003). These changes led to a breakdown in the political system, and a period of crisis (renegotiation) ensued. The negotiated political system that emerged from this turbulent process reflected progress/change in Ivorian politics. The previous pattern of distribution of free land had been eradicated, and new distributional patterns emerged to reflect the new coalition.

But to return to the issue: the key economic consequence of the EU trade system is the unlikelihood of diversification or economic transformation to the extent that these processes occur in response to threat (Doner et al., 2015; Evans, 1997, 5). As Mann and Berry argued, although political leaders in African countries have a strong ideological motivation to pursue diversification and economic transformation, policy-making has to be politically viable (2016, 124). Diversification can be politically costly in “ordinary” times because it requires resource reallocation and the enforcement of new rules and institutional changes, all of which may affect distributional patterns and entrenched interests (Whitefield and Buur, 2014, 127). However, during economic threats to political rule that stem from economic crisis, political realism dictates diversification (although may involve the loss of some form of power). Changes in the political system are intertwined with those in the economic system. The changes sparked by an economic crisis affect both political and economic institutions. The origins of inclusive political institutions, for example, have been studied in terms of responses to threats to political rule (see Mosley, 2015, 66; Acemoglu and Robinson, 2016). However, threats to political survival may also lead to restrictive political institutions designed to silence potential challengers. This was to some extent the case in Ghana after 1961, when the crisis in the cocoa market fostered both progressive economic policies and restrictive politics (both designed to ensure elites’ political survival).

However, changes in the trade system between the EU and West Africa have rendered the EU somewhat ineffective in its historical duty of protecting existing export systems. Under the EPA, price support has been abolished, and market preferences are shrinking, as shown in Chapter Seven. The production of pineapples, which were one of Côte d’Ivoire’s main export products after independence, and protected under the EU trade system from the 1960s, has been extirpated by changes in EU trade policies in the 2000s. The production of bananas, another product protected by the EU for more than five decades, is currently being eroded due to the EU’s freer trade with other regions. Compared with the Yaoundé and Lomé Conventions, therefore, the EPA is somewhat progressive. However, in products such as cocoa beans (in which there is no competition to displace West African exports), EU trade preferences continue to matter. Furthermore, the pattern of protecting existing West African exports is no longer unique to the EU trade system. NGOs and Western multinational corporations in the cocoa sector are currently establishing a similar program to stabilise existing production systems (irrespective of the competitiveness of the sectors involved). The international-development industry is thus complicit in preventing threat-induced changes to economic and political institutions in developing countries.

## Implications beyond EU Trade System

Generally, the connection between international development and domestic institutional change can be expressed in two contradictory ways: the funding of institutional change (as in the case of the World Bank and the IMF); or the blockage of domestic institutional changes by bailing out political leaders through aid provision. Although the World Bank and IMF are well known to demand institutional change as a condition for loans, studies have shown that international financial institutions such as foreign-aid providers and development NGOs impede institutional changes in the recipient countries. Todd Moss, Gunilla Pettersson, and Nicolas van de Walle spelled out one version of the latter claim in *An Aid-Institutions Paradox* (2008). They suggested that ruling elites less dependent on internal sources of revenue tend to be less accountable to their citizens, with less incentive to nurture effective public institutions to ensure their survival. This is the principal-agent problem afflicting development assistance. The argument reaches back to Joseph Schumpeter and Rudolf Goldscheid’s conceptualisation of fiscal sociology: the idea that the source from which public authorities obtain their revenue has an influence on policy making (Moore, 2011, 1759). Foreign aid, in this view, may undermine incentives to tackle collective-action problems that constitute institutional barriers to development (Booth, 2011). However, the focus of this study is slightly different from that of the aid-institution literature.

This study is mainly concerned with assistance to domestic industries on which ruling elites depend for their survival, and its argument is that in the absence of such assistance, ruling elites are forced to nurture other industries on which to depend. The distinction between the provision of foreign aid and foreign assistance to domestic industries is important, because the majority of international-development efforts are focused on accessing local people/industries directly to ensure that aid is neither wasted nor stolen by corrupt governments (Acht et al., 2014). In this sense, parallel initiatives are programs designed by development NGOs to artificially assist industries or farmers in developing countries, which thus prevent factor reallocation (Wraight, 201, 150).

The Fair Trade movement offers a clear example. The goals of this social movement are to secure small-scale producers in developing countries better prices for their goods and to help them to improve their sustainability. To this end, higher prices are provided for exporters of certain products to keep them in business. To the extent that it succeeds in this goal, Fair Trade governance may improve the welfare of farmers in the short term, but it also injures long-term development prospects by discouraging diversification, factor reallocation and possibly even structural change (see LeClair, 2002; Sidwell, 2008). Sustainability is fundamental to the Fair Trade movement, in the sense of preserving a balance in production (Jaffee, 2014). However, the concept of sustainability can be misleading when applied to “dynamic” small-scale farming systems with no domestic use value. By “dynamic,” I mean production processes susceptible to diminishing returns or changing input-output ratios (see chapter 3 of this thesis). If a dynamic small-scale product has no domestic use value, what is the point of preserving a production balance? I return to the example of cocoa (a Fair Trade product) to buttress this point. The cultivation of cocoa has a structural ceiling determined by the amount of forestland available in a given region, after which diversification becomes crucial (Clough et al., 2009: 199). The cocoa produced by Côte d’Ivoire and Ghana, two of the world’s top exporters of raw cocoa, has no use value as either a raw material or as processed chocolate. A sustainability scheme targeting poor cocoa planters after the point of diminishing returns has been reached is therefore meaningless given the increasing factor cost incurred (which, all things being equal, will amount to an increase in poverty), especially given evidence of factor reallocation/realignment towards products for which there is a domestic demand. Therefore, the Fair Trade emphasis on cocoa is at best irrelevant and at worst dangerous.

It is also possible to imagine a situation in which multinational corporations facing a potential shortage in raw materials due to diminishing returns invest in a sustainability scheme to guarantee their supply despite diminishing production resources. In such a scenario, development NGOs will gladly perform the function of “useful idiots” by promoting sustainability and price justice while assisting multinationals in guaranteeing supply and preventing diversification in poor countries. This behavior is currently underway in the cocoa sector. Several projections of a shortage in cocoa beans (see Lucas, 2012), which Mars Incorporated correctly attributed to “environmental pressures on cocoa farms” (ibid.), i.e., diminishing returns, led to several sustainability schemes promoted by chocolate companies in collaboration with NGOs (Nestlé’s Cocoa Plan; Mondelēz International’s Cocoa Life scheme; Cadbury’s cocoa-sustainability program, etc.).

Ten of the world’s largest chocolate multinationals collaborated in 2014, after several projections of a future shortage in cocoa, to introduce a common cocoa sustainability scheme called CocoaAction, with more than $500 million in funding. In principle, CocoaAction is an intervention to empower planters and planting communities (CocoaAction Progress Report, November 2015; World Cocoa Foundation, 2014) by delivering planting materials, fertilisers and training services; building schools; eradicating the worst forms of child labor; and promoting gender equality (World Cocoa Foundation, 2014; CocoaAction FAQ, 2015). In practice, however, it is an industrial strategy to guarantee the supply of cocoa following a shortage in the raw material used to produce chocolate due to increasing demand and diminishing returns in emerging countries (Lucas, 2012; Turnbul, 2015). “Why is CocoaAction needed?” This question was asked in a 2016 document on cocoa sustainability. Among the reasons given in regard to Côte d’Ivoire and Ghana were “increased competition from other cash crops” (CocoaAction Primer, 2016, 5) and the need to encourage planters to “keep on producing cocoa beans” (ibid.). Similar reasons were given in the 2015 CocoaAction Progress Report and the early documentation of the scheme, as well as other individual sustainability schemes. A 2015 consortium of European civil-society organisations, which included Oxfam, Solidaridad and the VOICE network, reported after an investigation that cocoa-sustainability schemes sponsored by chocolate manufacturers (including CocoaAction) are fixated on boosting productivity and increasing output (or encouraging farmers to remain on cocoa farms) as opposed to increasing cocoa planters’ living standards (Neiburg, 2016; Cocoabarometer, 2015).

In conclusion: from the West African perspective, institutional and development changes are prevented by international assistance, which functions to guarantee a static production/economic system and prevent factor mobility. This prevents diversification at both the micro level (individual planters) and the macro level (ruling elites in search of new bases for political rule), and creates a dependency in the supported sectors. For example, the West African pineapple sector, which was protected by the EU from 1963, suddenly collapsed in the mid-2000s following a change in the GSP and the dependency structure. Similarly, if the cocoa sector in Côte d’Ivoire and Ghana becomes entrenched in the sustainability scheme fashioned by chocolate companies, the entire sector will rest on the support of multinationals and NGOs. This is already the case in Ghana, where cocoa production is maintained by the government’s provision of spraying materials and fertilisers.

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1. The New International Economic Order was a set of proposals put forward during the 1970s by certain developing countries through the United Nations Conference on Trade and Development to promote their interests. [↑](#footnote-ref-1)
2. In the IR literature, the African state type has traditionally been differentiated from ‘normal’ states, as in Robert H. Jackson and Carl G. Rosberg’s (1982) theory of judicial statehood with negative sovereignty, for example, or Christopher Clapham’s argument that states in Africa differ in organization from states that IR theories take for granted (1996). In terms of the nature of the African state, Douglas Lemke’s work on African conflict, based on the core ideas of realism, showed that sub-state political organizations such as ethnic groups are engaged in realist-type politics (2011). The African state (following Douglas North’s limited access order framework and the political-settlement theory proposed by Mushtaq Khan) is the product of a negotiated outcome between sub-state political organizations: a negotiation that is the basis of institutions in Africa (see theoretical framework in Chapter 2) [↑](#footnote-ref-2)
3. According to Khan, “the owner of formal capital rights normally has the significant holding power in advanced countries, so the limits of distributive conflicts are set by what is acceptable to the owner of productive rights” (Khan, 2010, 30). [↑](#footnote-ref-3)
4. According to Acemoglu and Robinson, “all else equal, politically powerful groups would welcome superior institutions and technologies. But in practice all else is not equal because superior institutions and technologies may reduce their political power and make it more likely that they will be replaced” (Acemoglu and Robinson, 2006, 115). In such a setting, the political rationale for survival requires ruling elites to resist superior institutions and technologies to maintain their power. There are copious historical examples of such resistance to economic progress (see Acemoglu and Robinson, 2006; Gerschenkron, 1962; Law, 2002; Whitfield et al., 2015, 145; Boone, 1992, 260; Fieldhouse, 1986, 144). Several scholars have observed that in post-independent African countries, ruling elites have actively prevented the emergence of local capitalists due to their fear of displacement (Fieldhouse, 1986, 144). [↑](#footnote-ref-4)
5. However, such extraversion can be seen as a license for imperialism. France, for example, insisted on the exclusive importation of its own products and used elites’ extraversion strategy as a permit to extend certain colonial provisions in West African countries. [↑](#footnote-ref-5)
6. Other situational explanations focus on the struggle between European nations for either prestige or political dominance within Europe. For example, Robinson and Gallagher argued that the British occupation of Egypt at the beginning of 1800s led to a competition for colonies. As the annexation of Egypt was inimical to French interests, France sought to occupy colonial outposts that threatened British interests (Robinson and Gallagher, 1961: 465). However, this theory does not explain the presence of new players such as King Leopold of Belgium in Central Africa. [↑](#footnote-ref-6)
7. According to Bunche, “[t]he doctrine of Fascism, with its extreme jingoism, its exaggerated exaltation of the state and its comic-opera glorification of race, has given a new and greater impetus to the policy of world imperialism which has already conquered and subjected to systematic and ruthless exploitation virtually all of the darker populations of the earth” (1936: 31). Bunche identified a direct link between Fascism and colonialism: Italy, Germany and Japan were all eagerly pursuing colonial conquests. If Fascism was “nothing less than the logical outcome… [of an attempt] to secure [a] field of expansion” (Bunche, 1936: 45), its language of racial superiority was simply borrowed from the colonial handbook. [↑](#footnote-ref-7)
8. “I knew that Hitler and Mussolini were fighting communism,” wrote Du Bois, “and using race prejudice to make some white people rich and all coloured people poor. But it was not until later that I realised that the colonialism of Great Britain and France had exactly the same object and methods as the fascists and the Nazis were trying clearly to use.” (quoted in Césaire, 2001). Here, the Fascists’ racial prejudice is described as an excuse for a concrete regime of exploitation not dissimilar to that of Britain and France. [↑](#footnote-ref-8)
9. Even after the Second World War, some radicals continued to associate colonialism with Nazism. Robert J. C. Young wrote that “[t]he French have never regarded fascism as an aberration […] it can be explained quite simply as European colonialism brought home to Europe by a country that had been deprived of its overseas empires after World War 1” (1990: 7). In a study entitled *Discourse on Colonialism*,Aimé Césaire contended that the only crime Hitler committed was to apply “colonialist procedures” in Europe and to Europeans that had previously been “reserved exclusively for the Arabs of Algeria, the ‘coolies’ of India, and the ‘niggers’ of Africa” (1972: 36). Frantz Fanon also regarded Fascism as the return of Europe’s colonial violence to its origins . [↑](#footnote-ref-9)
10. The German architect Herman Sörgel proposed one such specific program for European integration that included Africa. Sörgel’s “Atlantropa” was to be a tightly linked Europe-Africa formed by damming the Strait of Gibraltar and the Bosphorus and constructing several transcontinental routes. The central theme was the creation of a huge hydroelectric dam across the Strait of Gibraltar, which would provide enormous amounts of hydroelectricity and open up new land for European settlement by lowering the level of the Mediterranean Sea by about 660 ft. [↑](#footnote-ref-10)
11. See the *Chicago Tribune* headline “EUROPE WARNED TO UNITE AGAINST ‘YELLOW PERIL’” on Nov. 2, 1936. [↑](#footnote-ref-11)
12. Including the Organization for European Economic Co-Operation (OEEC/OECD, 1948), NATO (1949), the Council of Europe (1949), the European Coast and Steel Community (1951), the European Defense Community (1952), European Political Community (1952) and the European Economic Community (1957). [↑](#footnote-ref-12)
13. Some researchers have explained patterns of growth and development in Africa in terms of institutions inherited from the colonial era (Acemoglu et al., 2001). In this case, France colonised the affiliated countries listed above, while the non-affiliated countries, with the exception of Guinea, were colonised by Britain. Therefore, it is tempting to view their divergence solely in terms of differences in inherited structures. However, the inclusion of Guinea in the unaffiliated group complicates any such reading. Like Côte d’Ivoire, France colonised Guinea, but its government did not sign the Yaoundé trade convention. Guinea successfully diversified within only five years of independence, because its colonial products, which had formerly received price support from France, were grossly uncompetitive, providing a threat to ruling elites and no incentive to maintain production. [↑](#footnote-ref-13)
14. The question Lewis sought to answer was as follows: “which manufacturing industries are most likely to succeed in the Gold Coast, having regard to markets and to raw materials?” (quoted in Kofi, 1974). After extensive deliberation, Lewis “thought that many years would elapse before large investments in industry could be justified economically” (Pickett and Shaeeldin, 1990: 20). He reached this conclusion for two interrelated reasons. First, there was no surplus labour in the economy to reallocate to the industrial sector. Lewis argued that the movement of labour from the current production system would lead to a labour shortage in the food sector and the existing export sectors. He thus called for a vigorous initiative to increase productivity in the agricultural sector. The increase in agricultural productivity per capita was expected to free up labor needed for any future industrialisation program. The second reason was the absence of significantly skilled workers in Ghana. [↑](#footnote-ref-14)
15. Nkrumah’s visits to the Soviet Union, China, Yugoslavia, Romania, Bulgaria and Albania between July and September 1961 are often regarded by scholars of politics as a catalyst for the policy change. Indeed, the increase in exchange between Ghana and the above socialist countries after 1961 was remarkable. Between 1961 and 1965, for example, trade between Ghana and these countries rose from 4.7 percent to 26.3 percent in exports and from 5.4 percent to 26.3 percent in imports (Laïdi, 1990: 21). Aid and general cooperation between Ghana and the socialist countries also increased at an unprecedented rate. However, no marked rejection of exchange with capitalist countries occurred. Indeed, Nkrumah negotiated the Akosombo Dam project with the British and U.S. governments during this period. [↑](#footnote-ref-15)
16. In terms of industrial range, Nkrumah established factories for a wide range of products: beverages, tobacco, footwear, apparel, furniture, rubber, paper, chemicals, electrical products, plastics, etc. In 1966, hydro-electric power was operative at an aluminum company. An oil factory and a steel works were located next to the Valco aluminum plant, all of which began to operate fully in 1966. Machinery for tire manufacturing, incandescent-lamp manufacturing and tanning that had been purchased before the coup was returned by the NLC. Several industries that were near-complete in 1966 were abandoned, and the related equipment sold. Therefore, any assessment based on growth or output will indicate that Nkrumah’s investment was wasted. [↑](#footnote-ref-16)
17. The Volta River project entailed the creation of a large hydroelectric plant and the simultaneous construction by private investors of an aluminum smelter using a large proportion of the power to be generated by the plant. Nkrumah himself argued that electricity was the basis for industrialisation: “[t]hat, basically, is the justification of the Volta River Project” (quoted in Killick, 1978: 45). The government sought to build a general capacity for electricity ahead of demand in the hope of creating the right atmosphere for industrial development. [↑](#footnote-ref-17)
18. [↑](#footnote-ref-18)
19. A customs drawback allows exporters to claim back customs duty on goods that they have already imported. Customs duty is repaid when goods or materials on which import duty has been paid are later exported. [↑](#footnote-ref-19)
20. As shown in the table above, the increase in output prevented a reduction in overall export value during the price crisis. For example, 255,000 tons of cocoa were valued at US$174 million in 1958, while 577,000 tons were valued at US$191 million in 1965. The numerical payment to producers (producer price) more than doubled, whereas the export value increased by only about 10%. This amounted to a reduction in government revenue. [↑](#footnote-ref-20)
21. The government used excessive payment based on price support to subsidise exports outside France. [↑](#footnote-ref-21)
22. In 1950 prices, income per capita in 1974 was approximately $190. [↑](#footnote-ref-22)
23. Calculated using the exchange rate CEDI/CFA 0.003 [↑](#footnote-ref-23)
24. Exchange rate adopted from May (1985: 129), “Exchange controls and parallel market economies in sub-Saharan Africa: Focus on Ghana.” [↑](#footnote-ref-24)
25. The 1961 protocol was one of the measures implemented by the French government to ensure a market for its uncompetitive textile products. The protocol required Côte d’Ivoire to import 70 percent of is printed cloth from France. [↑](#footnote-ref-25)
26. As part of these restructuring activities, the government also created the *Fonds National d’Investissement* (FNI) in 1968 to encourage foreign firms to reinvest their profits. Foreign firms were required to deposit 10 percent of their declared profits with the FNI in exchange for a certificate redeemable with evidence of an investment program the equivalent of three times the value of the certificate. [↑](#footnote-ref-26)
27. The embargo was a response to Western involvement in the 1973 Yom Kippur War between Israel and the Arab world. A few days after Syria and Egypt launched a military attack against Israel to regain territories lost to the Jewish states in the previous Arab-Israel war (the 1967 Six-Day War), the US supplied Israel with arms. The Arab world turned to oil embargoes as a means of attacking the West. [↑](#footnote-ref-27)
28. The products covered by the CAP were as follows (1) Arable products: rice, sugar, potatoes, cotton, tobacco, cereals, sweet lupins, peas, field beans, animal feedstuffs, hops, fiber flax and hemp, olive oil, dried fodder, flowers and live plants, seeds, honey, fruit and vegetables, seed flax, oilseed, silkworms, and wine; and (2) meat and dairy products: beef and veal, milk and milk products, pork, poultry and eggs, mutton and goat meat. The coverage of the exceptions was somewhat broader; for example, lychee juice was excluded due to its potential to compete with orange juice: [↑](#footnote-ref-28)
29. An example of the practical use of the safeguard is as follows. Two years after the enactment of the trade system, individual customs authorities in EEC countries began without consultation to refuse ACP textile shipments, despite the provision of duty-free access in the Lomé Convention. The EEC authorities invoked the safeguard clause. At the end of 1978, the Community unilaterally imposed quantitative restrictions on ACP textiles (Asante, 1988: 665). [↑](#footnote-ref-29)
30. The European Commission (1996: 9) acknowledged frankly that this generosity arose from the desire “to defend... economic and geopolitical interests in the age of the Cold War ... the international situation ... European anxiety at the first oil crisis, i.e. a fear of raw material shortages and a desire to hold on to valued overseas markets, united with geostrategic interests.” [↑](#footnote-ref-30)
31. This agreement was a rebranding of SIAMO, a colonial institution. Before its suppression due to independence in 1960, SIAMO encouraged/forced 254,782 Burkinabé workers and small peasants to migrate to southwestern Côte d’Ivoire under the French system. SIAMO was replaced by Manpower Bureaus (*Offices de la Main d’Oeuvre*) formed in both Côte d’Ivoire and Upper Volta. [↑](#footnote-ref-31)
32. The revised agreements in 2005 and 2010 included security measures registering the rise in terrorism, issues surrounding climate change, trade-adaptation strategies (Aid for Trade) and private-sector concerns in the trade system. [↑](#footnote-ref-32)
33. ECOWAS, the East African Community, the Eastern and Southern Africa Group, the Economic Community of Central African States and the Southern African Development Community. [↑](#footnote-ref-33)
34. Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Côte d’Ivoire, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. [↑](#footnote-ref-34)
35. Here, “production interest” refers to sectors in which the EU has no discernible advantage but maintains production through subsidies. [↑](#footnote-ref-35)
36. For example, the Common Agricultural Policy reforms of early 2000, especially the cereal subsidies, directly reduced the price of animal feed by an estimated 11.7 percent. This is all noted in the 2006 evaluation of the poultry CMO. The cereal subsidies stimulated an increase in production from 400,000 tonnes to more than 1 million tonnes, which, as argued by Agritrade (2011: 4), led to an increase in the remainder needed for exportation. [↑](#footnote-ref-36)