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STRUCTURAL ADJUSTMENT, GLOBALISATION &
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SERIES OF DOCUMENTS LAUNCHED BY ENDA/DIAPOL AND THE SAHEL AND WEST AFRICA CLUB SECRETARIAT/OECD, AND THOSE WHO WOULD TO JOIN THEM.
Kate Meagher, Nuffield College, Oxford; e-mail: kate.meagher@nuffield.oxford.ac.uk. This is a revised version of a paper originally prepared in the context of a research programme on ‘The Political and Social Context of Structural Adjustment in Sub-Saharan Africa’ organised by the Nordiska Afrikainstitutet, Uppsala, Sweden, and presented at the synthesis workshop in Copenhagen, Denmark in December 1998. I am grateful to the Nordiska Afrikainstitutet for supporting the research on which this paper was based, and particularly to Adebayo Olukoshi and Peter Gibbon for their intellectual guidance, insights and comments. The views represented in this paper, and any errors that accompany them, are, of course, my own.
Summary

Neo-liberal economic reforms were widely expected to rein in Africa’s unofficial transborder trade through liberalisation and closer integration into the global economy. Instead of disappearing in the face of structural adjustment and globalisation, however, West African transborder trading systems have been restructured and globalised. This article analyses how the West African experience of economic restructuring has led to an expansion and deepening of unofficial trade, as well as the globalisation of its activities. A clear understanding of this process has been blurred by the ideological manipulation of perspectives on informal economic activity by proponents of the neo-liberal reforms. By means of a deconstruction of populist analyses and more recent narratives of criminalisation, this article traces the contemporary evolution of transborder trade. The conclusion reached is that, while transborder trading structures represent important institutional resources for economic development, they are structurally incapable of integrating West Africa into the global economy in the absence of an appropriate regulatory framework.
Introduction

In the heyday of African economic reform, structural adjustment was seen as the ultimate weapon against the extensive informal transborder trading systems of West Africa. Neo-liberal policy makers saw parallel economies as a by-product of market distortions, claiming they would be reabsorbed into the formal economy when distortions were removed by liberalisation and exposure to global market forces. In West Africa, however, transborder trade has proven itself to be more than an epiphenomenon of distorted markets. Under the influence of structural adjustment and globalisation, these transborder trading structures have not disappeared, but have themselves been restructured and globalised. In fact, despite the contraction of some dimensions of the parallel economy, the overall effect of structural adjustment and globalisation in West Africa has been a significant expansion of transborder trade. This expansion has taken place in the context of a dramatic transformation of the trade, involving shifts in the direction and composition of trade flows, as well as far reaching changes in the organisation of parallel trading networks, and in the role of parallel currency markets. These changes have had profound implications for the effectiveness of market reforms in West African economies, as well as influencing the ability of West African countries, and Africa generally, to stake a claim in the global economy. As faith in structural adjustment wanes, West African transborder trading networks seem set to claim the 21st Century, by hook or by crook.

Neoliberal Dilemmas

The flexibility and resilience of transborder trade has produced tensions in the ideological representation of informal trade in African development. These tensions are expressed in the tendency of transborder trade to shift between the roles of villain and hero in the project of market reform, depending on whether it is perceived as an impediment to, or a force for, liberalisation. In the early 1980s, when transborder trade had reached crisis proportions in many African economies, it was characterised as the product of price distortions, which led to a haemorrhaging of foreign exchange-earning capacity into neighbouring countries. The existence of such parallel trading activities therefore constituted a justification for drastic market reforms, which would rectify structural imbalances and eliminate transborder trade (World Bank 1981). By the end of the 1980s, governmental as well as popular resistance to structural adjustment reforms instigated a search for local constituencies supportive of liberalisation. This process ideologically transformed transborder trade from a product of price distortions into an activity rooted in pre-colonial economic organisation. Transborder trade was consequently affirmed as an activity that

increases competition, supplies products across borders ... provides opportunities for employment in neighbouring countries, and encourages entrepreneurial activities (World Bank, 1989).

Far from constituting a threat to national economic survival, transborder trading activities were cast as a form of popular resistance to the failures of the state (Igue, 1985; MacGaffey, 1987; World Bank, 1989). Transborder trade was also credited with generating opportunities for independent accumulation and productive investment, thus providing the basis for the development of an authentic ‘indigenous bourgeoisie’ (MacGaffey, 1988, 1991; Igue, 1985; Chazan, 1988; Diamond, 1988).

From the late 1990s, however, the ideological tide appears to be turning against transborder trade once again. There is increasing frustration with the tendency of transborder operators to exploit the differential implementation of structural adjustment reforms between West African
countries, accompanied by growing concern with the rising tide in many African states of corruption, violent conflict, the plunder of natural resources and involvement in the trafficking of drugs, arms and conflict diamonds (Castells, 1998; Lewis, 1994; Reno, 1995, 1998; Richards, 1996; World Development Report, 1997). This has focused attention on the seamiest side of transborder trade, and raised questions about its capacity to nurture productive investment and competitive market behaviour within the context of increasingly deregulated and privatised economies.

The task of this paper is to peer behind the heavy ideological veils in which most of the literature on transborder trade is shrouded, and attempt to discover the actual economic and political implications of these unofficial trading activities in the context of structural adjustment and globalisation. In an attempt to zero in on the actual processes at work, this article will address three key themes in the contemporary development of the trade: structural adjustment, globalisation, and the fortunes of the nation-state. Taking each in turn, we will gain a clearer picture of the political economy of transborder trade, its global linkages, and the limits of its developmental prospects.

Before proceeding with the analysis, however, it is necessary to highlight the distinction between the informal and the criminal dimensions of transborder trade. Following the convention in the informal economy literature, informal transborder trade refers to the import and export of legal goods outside of official channels (Castells and Portes, 1989; Lindauer, 1989). Criminal trading activities, by contrast, refer to the trade in illegal goods, such as arms, narcotics or human beings, the purchase and ownership of which by members of the general public is deemed socially undesirable, regardless of the distribution channel. The increasing tendency to blend these two distinct categories of illegal trading activity has led to a blurring of their very different social and historical dynamics. While this serves the interests of neo-liberal ideologues and academic entrepreneurs, it seriously weakens the empirical and analytical value of contemporary perspectives on African transborder trading networks (Farrell et al. 2000).

**Adjustment & the Transformation of Transborder Trade**

**A Brief History of Transborder Trade in West Africa**

Transborder trading networks are not vestiges of pre-colonial economies, or recent reactions to economic imbalances; they are historically grounded economic systems, involving actors and institutions capable of responding to new incentives and defending their interests. The survival and growth of the trade into contemporary times has benefited from its long institutional history, but has depended as much, if not more, on the capacity of trading networks to adapt to changes in political organisation, transport and communications technology, trends in the world economy, and the constraints and opportunities created by shifts in monetary and fiscal policies among the countries of the West African sub-region. In the process, transborder trading systems have undergone dramatic transformations in almost every aspect of their operation and organisation. (Asiwaju, 1976; Igue, 1977; Lambert, 1988; Sall and Sallah, 1994; Hashim and Meagher, 1999; Meagher, 1997).

Two changes that took place during the post-independence period were central to the expansion of transborder trade. The first involved the delinking of many of the former British West African colonies from the Sterling Zone between the late 1960s and mid-1970s, while the Francophone states remained integrated into the semi-convertible Franc Zone. The second was the adoption in the tiny states of Benin, Togo and the Gambia (and to a limited extent, Niger), of economic development strategies based on liberal import regimes and the transiting of goods to their more protectionist neighbours (Igue, 1977; Meagher, 1997). Structural adjustment programmes introduced in the 1980s aimed to redress the resulting imbalances and eliminate incentives for transborder trade. Instead of eliminating the trade, however, they only ushered in a new phase in
its development. While many of the old transborder opportunities associated with the developmental state were closed off, new opportunities emerged in the context of economic liberalisation.

### Structural Adjustment, Economic Turbulence & the Expansion of Transborder Trade

It is one of the great ironies of structural adjustment that it has in many parts of West Africa led to a boom in transborder trade. The conventional adjustment prescriptions for restoring economic equilibrium have produced a veritable free-for-all in parallel commodity and currency markets. Although frequently blamed on the differential, and often partial, application of structural adjustment policies among different countries in the sub-region, the resilience of transborder trade is due as much to the manic, and often disorganising effects of dramatic devaluations, widespread liberalisation, and an unprecedented squeeze on popular livelihoods. The upshot is that adjustment has precipitated a deepening of the economic penetration of transborder trade both as regards national territories and popular livelihood and accumulation strategies.

Although structural adjustment reforms were designed to eliminate destabilising policy disparities, the adoption of adjustment programmes on a case by case basis has tended to exacerbate these disparities, owing to wide variations in timing, emphasis and degree of implementation. Differences in political and monetary regimes, in the pressures of major interest groups, and in national developmental constraints and objectives have served to perpetuate significant disparities in monetary and fiscal policies even after the adoption of structural adjustment programmes throughout the West African sub-region (Lambert, 1994). While regimes were sometimes swayed by the need to pacify clients and allies, others were constrained by demands of more legitimate interest groups, including manufacturers, professionals, and poor urban consumers – now recognised as representatives of civil society (Harbeson et al. 1994; Kasfir, 1998).

Indeed, the uneven topography of structural adjustment has been as much a result of objective differences in national economic structure as of perceived political recalcitrance and corruption. For example, the peculiarities of the Franc zone left many West and Central African countries immune to devaluation until 1994, which would have precipitated distortions in currency relations with their non-Franc Zone neighbours however assiduously structural adjustment policies were applied. Similarly, wide variations in the resource endowments and developmental objectives of West African countries strongly influenced the way in which adjustment policies were implemented. West Africa’s small entrepôt economies, as well as economies for which the provision of cheap food was critical to stability or food security (such as Guinea, Mauritania and Niger), were more amenable to trade liberalisation. By contrast, countries which had invested heavily in the development of agriculture or industry, such as Mali, Senegal and Nigeria, retained a much higher degree of protectionism in their adjustment programmes (Lambert, 1994; Hashim and Meagher, 1999).

The result was that structural adjustment perpetuated, and in some cases intensified, fiscal and monetary disparities between countries in the sub-region, and the liberalisation of commodity and currency markets has facilitated rather than discouraged their exploitation. The liberalisation of currency markets has given a boost to transborder activities by providing easy access to foreign exchange through the legalisation, or at least semi-legalisation, of the parallel currency trade. This has tended to eliminate the cumbersome need to engage in parallel exports in order to obtain the foreign exchange for parallel imports, thereby speeding up turnover time, and permitting greater expansion in the scale of operations (Hashim and Meagher, 1999). Similarly, the liberalisation of international trade and local commodity marketing has facilitated the exploitation of cross-border price disparities. It should be recognised, however, that these price
disparities derive as much from differences in comparative advantage and levels of industrial and agricultural development, as from insufficient liberalisation.

The persistence of transborder trade in West Africa is not, however, just an issue of uneven liberalisation. Structural adjustment has created a general environment of disarray throughout the official economy which has contributed greatly to the growth of transborder trading opportunities. Sall and Sallah (1994) and Mustapha (1993) indicate that the turbulence in export crop marketing following the privatisation of marketing boards in the Gambia, and their dissolution in Nigeria, provided a wealth of transborder opportunities, not only for transborder trading networks, but for official marketing agencies, for formal sector firms in need of foreign exchange, and for desperate farmers in search of buyers for their crops. While these disruptions settled down in a year or two after liberalisation, they had the longer-term effect of reinforcing the awareness of, and recourse to, transborder marketing strategies at all levels of society. Overall, the dramatic policy changes and dizzying instability created by adjustment have had the ironic effect of reinforcing confidence in the informal economy.

Perhaps more importantly, the recessionary conditions of adjustment have intensified the need among both traders and consumers to cut costs, and trading outside official channels provides an effective means of doing so. Throughout West Africa, the effects of devaluation, inflation and declining real incomes has produced an intensifying contradiction between the rising cost of goods and declining effective demand. This has encouraged, among other things, an increasing evasion by traders of duties, tariffs and taxes. Even in entrepôt economies, which had officially encouraged transborder flows since the 1970s, structural adjustment has triggered a massive shift into unofficial trading circuits in an attempt by traders to evade even the low level of duties and taxes imposed within these states (Egg, 1993; Gregoire and Labazee, 1994). Official records in Benin and Niger, which used to provide a fairly reliable indicator of transborder flows to Nigeria, are now estimated to under-report these flows by as much as 30-40 per cent (Hamadou, 1996; Naudet, 1993; Igue and Soule, 1992).

At the popular level, the strangulation of popular livelihoods in the context of rising unemployment and nose-diving real incomes have encouraged increased participation in transborder activities as a means of income generation. The same processes have encouraged official complicity with transborder activities, as officials of all ranks struggle for survival, or just try to profit from the confusion. The pressures of adjustment on popular livelihoods have also encouraged a shift of consumer demand from locally produced or officially imported goods to lower-cost alternatives supplied through transborder trade. Unofficial imports from overseas keep prices down by evading the payment of tariffs, duties and other forms of tax. Nigerian goods, rendered incomparably cheap by the massive devaluation of the Naira, have also become staples of transborder circuits across Africa (Egg and Igue, 1993).

Despite sensationalist claims to the contrary, financing for increased transborder activities is not provided largely by conflict diamonds and drugs (Bayart et al. 1999; Reno, 1998). Privatisation and new more fungible forms of international assistance (such as import support funds, debt buy-back schemes and funding for local NGOs) have also played a critical role in the promotion and financing of transborder activities. In many cases, the privatisation of crop marketing has involved the allocation of credit from the state in order to enable private traders to buy crops in place of the marketing boards. In Mali and Niger, these funds are often redeployed into transborder trading circuits, either for the purchase of cheaper crops across the border, or for the purchase and resale of other cross-border consumer goods (Lambert, 1994; Amselle and Gregoire, 1988). In Benin, inflows of donor capital in the early 1990s to fund structural adjustment and democratisation revived the collapsed banking system, which used a large part of these new funds to finance the recovery of Benin's transborder re-export activities (Egg and Igue, 1993).
The upshot of these various factors has been an expansion in transborder trading activities since the mid-1980s. The available evidence suggests that there has been an increase in the actual quantity of transborder flows, as well as a deepening of the penetration of transborder operations into the heart of national territories (Meagher, 2001). Liberalisation on both sides of national borders has encouraged the extension of transborder circuits from the border areas to the whole of the national territory, and beyond (Hashim and Meagher, 1999; Bach, 1997). Since the late 1980s, transborder flows of Nigerian petrol, grain and fertilizer, which were once confined to the border areas of central Niger, have penetrated to the far north and west of Niger, with a considerable quantity traded onward to Mali, Burkina Faso and Ghana (Mas, 1993; Naudet, 1993).

**Patterns of Transformation: Criminalisation or ‘Downmarket Shift’?**

Liberalisation has not just contributed to the extension of transborder trading circuits; it has forced them to *restructure* in order to remain competitive. In some cases, reductions in price disparities have squeezed profits, provoking a decline in transborder flows in a range of local agricultural commodities, and driving out many small-scale transborder operators (Flynn, 1995; Egg and Igue, 1993; Hashim and Meagher, 1999). These developments have been met with shifts from declining transborder activities into those with greater promise, and with new strategies to combat the impact of liberalisation on profits margins. Some commentators have observed that these pressures are encouraging a shift into criminal activities as traders and the unemployed search for new sources of profit (Allen, 1999; Bach, 1995; Labrousse, 1999; MacGaffey and Bazenguissa-Ganga, 1999, 2000). Evidence suggests, however, that the dominant trend has been the reverse: a massive shift to cheap low-quality consumer manufactures from Asia and Nigeria (Bayart et al. 1999; Egg and Igue, 1993).

Available data on transborder flows supports the contention that there has been an increase in transborder flows of consumer goods from the world market during the first decade of structural adjustment. In Benin, the annual value of world market imports of principal commodities re-exported unofficially to neighbouring countries rose from an annual average of 37.4 billion F CFA in 1983-86 to 54.6 billion F CFA (pre-1994 values) in 1993-96 (Igue and Soule, 1992; Galtier, 1997). Similar trends are evident at the Nigeria-Niger border (Gregoire, 1986; Egg and Igue, 1993). In the Gambia, largely unofficial re-exports of imported consumer goods are reported to have grown by 27 per cent in 1992/3 (Sall and Sallah, 1994). Despite sensationalist claims to the contrary, the main commodities involved are textiles, used cars, cigarettes, electronics and other consumer goods.

Transborder flows of manufactured and subsidised goods from Nigeria have also increased dramatically under adjustment, in the face of a rapidly devaluing Naira accompanied by increased demand for cheaper goods throughout West Africa. Subsidised Nigerian petrol, which accounted for only 10-20 per cent of Niger’s fuel needs in the early 1980s, was, by the early 1990s estimated to account for 50 per cent of Niger’s and nearly two-thirds of Cameroun’s fuel consumption (Egg and Igue, 1993). Nigerian-made building materials, spare parts, textiles, soap, pomade and pharmaceuticals have enjoyed a similar boom in transborder distribution (Egg and Igue, 1993; Gregoire and Labazee, 1994).

Trends in flows of criminal commodities are not as well documented, though the reasons are as much ideological as practical. As several commentators have noted, studies on the subject tend to be long on anecdotes, hearsay and innuendo, and short on substantiated information or systematic comparisons with transborder trade in legal commodities (Allen, 1999; Bernstein, 1999; Farrell et al. 2000; Shaw, 2001). Credible estimates suggest that flows of conflict diamonds in West Africa reached about $400 million in 1998, though a significant quantity were diverted from Angola (Partnership Africa Canada, 2002; Sherman, 2000). Estimates of illicit arms and drugs flows are more vague and subject to exaggeration, and tend to gloss over the
fact that West Africa acts largely as an entrepôt in the drugs trade, while the main profits are concentrated in the centres of production and consumption (Allen, 1999; Labrousse, 1999). On balance, there is little evidence that the share of illegal goods in West African transborder circuits outweighs the trade in cheap and used consumer goods – a point admitted even by those who make the charge of criminalisation (Bayart et al. 1999:30).

It should also be noted that the trade in criminal commodities is not merely a product of opportunistic shifts in the commodity portfolio of transborder operators. On the contrary, criminal activities are linked to the entry of new participants thrown up by the social and economic upheavals of structural adjustment. The moral code, as well as the commercial skills, of many of the mainstream transborder commercial networks are incompatible with participation in the trade in criminal goods (Meagher, fieldwork; Bayart et al. 1999:29). Trafficking in diamonds, drugs, arms and prostitution has more to do with rebel armies, unscrupulous officials and unemployed youth than with West Africa’s indigenous commercial groups and struggling popular classes (Labrousse, 1999; Reno, 1998; Richards, 1996).

The only aspect of transborder trade that appears to have been declining involves flows of local agricultural commodities, particularly after the devaluation of the CFA Franc. Flows of agricultural commodities from Niger into Nigeria fell from 15-20 billion F CFA in the 1980s to less than 5 billion F CFA in 1990, while flows of Nigerian grain into Niger fell from 100-200,000 tonnes in the 1980s to around 80,000 tonnes in 1995 (Egg and Igue 1993; Meagher et al. 1996). Although transborder trade is alive and well in West Africa, it has been more successful in stimulating low value imports from the world market than local primary commodity production.

**Globalisation: Connectivity & Marginality**

Like structural adjustment, globalisation has tended to stimulate rather than eliminate informal activity across Africa, creating the need for a more systematic analysis of its impact on informal economic organisation. Three features of globalisation have played a key role in promoting the expansion of transborder trade in West Africa. These are: the imposition of a global liberal policy agenda, rapid technological change in transport and telecommunications, and the growth of global financial markets. This section will consider how these global trends have contributed to the growth and restructuring of transborder trade.

Regarding the first issue, the enforcement of a global policy framework of deregulation and privatization lies behind the imposition of structural adjustment. As discussed above, the implications of this trend have generally been to facilitate the expansion of transborder trade.

Secondly, advances in transport and communications technology have further contributed to the development of transborder trade by facilitating the operation, consolidation and extension of transborder trading networks. They have improved interaction with informal overseas contacts, as well as facilitating the establishment of formal commercial relations with overseas firms. The official complications of ordering and arranging shipments have been greatly reduced by the globalisation of communications and information technology. Using telephones, faxes, the internet, and electronic banking, transborder operators can place orders, arrange delivery and remit payments for international goods without passing through regulated channels or having to resort to developing personal contacts abroad. Because of the limited availability, and often poor quality, of communications infrastructure in many West African countries however, the growing role of modern telecommunications and information technology in transborder activities has tended to reinforce the comparative advantage of large-scale urban-based operators relative to small-scale rural actors.
Thirdly, the growth of global financial markets, which derives from the fusion of advances in communications technology with financial deregulation, has made a powerful contribution to the development of transborder trade. Not only has it increased the ease with which payments can be made by transborder operators to their overseas suppliers, it has also facilitated access to foreign exchange with which to purchase imports or engage in currency speculation. Reduced levels of monitoring of financial transactions, combined with the increased speed of international and inter-continental currency movements have reduced both the risk and the turnover time of transborder activities.

In the case of Nigeria, the deregulation of global as well as local financial markets during the 1980s facilitated the development of a strategy for the large-scale conversion of CFA Francs into hard currencies by recycling them through foreign banks, largely in England and Saudi Arabia (Hashim and Meagher 1999; Meagher et al. 1995). Following the Franc Zone currency reforms of 1993/94, new strategies for the procurement of foreign exchange in Nigeria and the Gambia involve the electronic recycling of currency through Europe from the banking systems in neighbouring Franc Zone countries (Hashim and Meagher 1999; Sall and Sallah 1994). Other informal currency conversion and international remittance systems, similar to the ‘hawala’ systems of South Asia and the Middle East, have also increased their efficiency by incorporating the use of credit cards, e-mail and electronic banking (Hashim and Meagher 1999; Jost and Sandhu 2000).

**Changing Geographies of Transborder Trade**

The process of globalisation has greatly promoted two central aspects of informal economic restructuring, namely, the decline in the propensity to operate in export-import circuits, and the expansion of inter-continental as opposed to merely regional trading networks. The decline in the circuit organisation of the trade is a direct result of the liberalisation of financial markets in the context of continued access to semi-convertible CFA Francs. Although commentators on transborder activities in East and parts of Central Africa suggest that export-import circuits still define the logic of the trade owing to the need to obtain unofficial supplies of foreign exchange (Ellis and MacGaffey, 1997; MacGaffey and Bazenguissa-Ganga, 1999; Chachage, 1995), this has, for the moment, ceased to be a central aspect of the trade in West Africa. Only small-scale operators, border populations and rebels, who have little access to major parallel currency markets normally located in urban centres, are still likely to depend on export-import circuits in their transborder trading activities.

The expansion of the inter-continental dimension of transborder trade, long ignored in the literature, has recently become the focus of increasing international concern. The importance of overseas imports in unofficial trading circuits since colonial times indicates that transborder trade has never been a purely African affair (Asiwaju, 1973; Baier, 1980; Igue, 1977). Direct links with European countries became a central feature of transborder operations in the post-independence period, and direct trading contacts with North America, Australia, and Asia have gained in importance during the 1980s (Gregoire, 1992; Labazee and Gregoire, 1993; Hashim and Meagher, 1999). However, prior to structural adjustment, more rigorous controls on commodity and currency movements, and the limited international exposure of many indigenous long-distance trading groups, necessitated a complex system of import through liberal entrepôt economies by traders and officials with international connections, followed by distribution to other West African countries through local commercial correspondents (Hashim and Meagher, 1999). Since that time, the increasing globalisation of transport, finance and communications networks, combined with the liberalisation of commodity and financial markets, have both facilitated and instigated the expansion of inter-continental operations among a much wider range of West African trading networks. In the process, squeezed profit margins have motivated several previously regional networks to bypass their better connected middlemen and enter directly into inter-continental trading operations.
For example, Hausa-Fulani networks have expanded from a trade based predominantly on relations with Maradi, Niamey and Cotonou, to direct commercial links with Belgium, Dubai and Indonesia, increasingly bypassing their Igbo and Lebanese suppliers, who, throughout the 1970s and early 1980s, played a major role in supplying the re-export depots of Cotonou and Lomé (Forrest, 1994; Hashim and Meagher, 1999). The Mouride traders of Senegal have expanded operations to include stronger links with the United States, and with the Far East, most likely bypassing in the process their erstwhile Lebanese and Mediterranean middlemen (Babou, 2002; Ebin, 1993; Gregoire and Labazee, 1993).

As networks have expanded their inter-continental activities, they have also tended to shift them to the East, toward Asia and the Gulf (Hashim and Meagher 1999; Bayart et al. 1999). While some may interpret the Asian shift of transborder trade as a further indication of a transition from consumer goods trade into drug trafficking, the central motives are more mundane. Declining domestic purchasing power and increasingly restrictive immigration policies in Europe and North America have combined to deflect transborder networks away from European markets to cheaper and more accessible source markets in the Gulf States and East Asia. In the face of devaluation, European and North American consumer goods have become too costly for most West African traders and consumers alike. The major exception is used goods such as cars, clothing and refrigerators, which come predominantly from Europe and North America (Hansen, 2001; MacGaffey and Bazenguissa-Ganga, 2000).

**Beyond Borders: Transborder Trade & the Failure of the Nation State**

Having considered the ways in which transborder trading activities have been affected by structural adjustment and globalisation, the next question is how this process relates to the crisis of the nation state in Africa. Does transborder trade represent a form of economic organisation uniquely adapted to the context of globalisation, or is it merely a symptom of economic collapse in the context of the failure of the post-colonial state? Are we witnessing the detachment of economic organisation from the limitations of the nation state, or the ultimate distortion of crippled and marginalised economies?

**Pressures from Above & Below**

The fortunes of the nation-state in contemporary capitalism have often been reduced to an image of ‘hollowing out’, either from above or below. In the African literature on transborder trade, however, attention is focused almost exclusively on the role of pressures from below, which are seen to reflect popular rejection of colonial borders and post-colonial states. These analyses have a primordialist ring to them, arguing that borders violate ethnically defined territories and traditional forms of economic organisation, while states are plagued by an indigenous propensity to corruption and clientelist forms of organisation (Asiwaju, 1985; Bach, 1994, 1999; Chazan, 1988; Egg and Igue, 1993; Lemarchand, 1988).

Within this perspective, structural adjustment is portrayed as an official recognition of pressures from below, as populations attempt to slough off the inappropriate and enfeebled institutions of the nation state so as to become integrated into the wider economic opportunities of regional and global markets (Gregoire and Labazee, 1993; Tripp, 1997). Unfortunately, the thrust of this perspective has more to do with ideology and Africanist stereotypes than social science. Not only is the will of the ‘grassroots’ deduced mechanically without reference to social differentiation, economic constraints, or the politics of mobilisation, but almost no attention is paid to the role of the powerful external forces of structural adjustment and globalisation in the disruption and dismantling of state capacity.
Transborder Trade: Popular Will or Official Collusion?

With closer analysis, this ‘globalisation-friendly’ construction of transborder trade begins to show cracks. Both within and outside Africa, the centripetal social forces unleashed by globalisation have been linked, not to spontaneous social impulses or pre-existing state incapacity, but to the deliberate dismantling, via structural adjustment, of the developmental state (Cox, 1997; Griffith and Khan, 1992; Hoogvelt, 1997; Hurrell and Woods, 1995; Sall and Sallah, 1994; Young, 1995). Whatever their deficiencies, post-independence African states managed to maintain some hold on political and economic loyalties through the distribution of benefits among elites, combined with the delivery of at least some material benefits to the citizenry. The increasing role of transborder trade in social regulation derives more from a lack of alternatives in the official economy than from any over-riding allegiance to forms of economic or political organisation defined by family, ethnic or religious ties.

A second difficulty with globalisation-friendly perspectives relates to the image of transborder trade as something carried out in opposition to colonial borders and against the nation state. Evidence from a wide range of studies has demonstrated that the organisation and survival of transborder trade depends on the existence of borders and the complicity of the state. Borders are regarded by transborder operators, not as barriers to their activities, but as ‘corridors of opportunity’, where policy disparities or protectionist barriers can be turned into profits (Igue, 1985; Bach, 1997; Lambert, 1994). Far from agitating for their dissolution, both large-scale operators, and rural border populations are fully conscious of the importance of borders to the profitability of their trading activities (Flynn, 1995; Sall and Sallah, 1994).

Indeed, the state itself is more a collaborator than an opponent in the game of transborder trade (Boone, 1994; Lambert, 1989, 1994; Lewis, 1994; Reno, 1998). First of all, successful accumulation through transborder channels is highly dependent on connections and collaboration with state officials. Pure evasion of state controls and border posts defines the activities of small-time operators where quantities are small enough to allow concealment, or where the economic and political clout of the actor is feeble enough to require it (Baier, 1980; Meagher, 1997). A second level of state involvement relates to the role of the state as arbiter of the distribution of rents from illicit activities (Lambert, 1994; Lemarchand, 1988; Hoogvelt, 1997; Reno, 1998). In the context of declining state control of resources for patronage and for social welfare provision, allowing certain groups to participate in, or even monopolise, various lines of parallel economic activity remains an important means of maintaining loyalty. As a number of commentators have noted, the Mourides of Senegal, the Hausa and Lebanese traders of Nigeria and the Lebanese traders of Cote d’Ivoire, all doyens of transborder commercial activity, are not sources of opposition to the state, but bastions of support (Boone, 1994; Hibou, 1999; Lewis, 1994; Markowitz, 1998).

When discussing state complicity in transborder trade, it is important to distinguish official complicity from the informal practices of state officials, a distinction that it has become fashionable to blur. At the official level, state involvement in transborder trade is limited to the perfectly legal liberal import strategies of entrepôt states. The impact of declining state capacity on entrepôt economies, however, has been to weaken rather than entrench such practices, owing the inability of the state to keep the trade in official channels. As for the remainder of West African states, the nature of official collusion is essentially for private gain, rather than for state financing. While complicity, or even direct involvement, in transborder activities supplements official incomes, and even contributes to substantial private accumulation among well-placed officials, it continues to undermine the resource base of the state through lost revenue from duties and taxes, and to weaken official control of the economy (Egg and Igue, 1993; Igue and Soule, 1992; Meagher, 2001).
Finally, a closer examination of the actual will of the popular forces involved in transborder trade flatly contradicts assertions of their liberalising aspirations. Owing to their dependence on the exploitation of policy disparities, transborder traders have not tended to come out in favour of economic liberalisation or regional integration (Bach, 1999; Boone, 1994; Meagher, 1997; Meagher and Ogunwale, 1994). Attempts by the World Bank to represent transborder operators as a popular constituency for both have ended in disappointment. In fact, increasing competition between transborder trading networks has provoked recourse to various forms of informal protectionism rather than an enduring commitment to liberalisation. Following the liberalisation of grain markets, local trading networks in Niger and in Guinea blocked the direct penetration of better resourced trading networks from neighbouring countries into their internal markets, in one case by imposing a tax on the foreign traders (Lambert, 1994; Hamadou, 1995). In northern Nigeria, transborder dealers in cigarettes and used clothing collude with the police to arrest those who try to enter the trade without joining the unofficial cigarette dealers’ commercial association (Hashim and Meagher, 1999).

Since the mid-1990s, increasing evidence that transborder trading networks were not likely to constitute constituencies for liberalisation or for regional integration has shifted the focus of analyses back to issues of rent-seeking behaviour and official corruption. Regarded only a decade ago as a force for liberalisation, transborder trade is now increasingly cast as a force for the globalisation of illicit activities, and the criminalisation of the African state (Bayart et al. 1999; Reno, 1995, 1998). The emphasis has shifted from rationalist assumptions regarding the innate efficiency of forces from below to primordialist prejudices regarding the innate clientelism and corruption of African economic and political organisation. Neither approach brings us any closer to understanding the real economic and political implications of transborder trade for the future of West African development.

Back Door to Globalisation or Dead End?

The Globalisation of Transborder Trade

In the literature on globalisation, the word most commonly associated with Africa is ‘marginalisation’. Among developing countries as a whole, FDI flows have increased from 17 per cent in the second half of the 1980s to 32 per cent in 1992, but the share of sub-Saharan Africa is now below 1 per cent and falling (Cook and Kirkpatrick, 1997; Oxfam, 2002). Africa’s share in world export flows has also fallen, particularly in manufacturing, which is the key growth sector for the expansion of trade and resource flows in the context of globalisation. In the face of declining exports and international investment, Africa has fallen far behind in the development of the appropriate infrastructure, technology and skills to link up with the revolution in information technology, which is central to the global restructuring of production, trade and finance (Castells, 1998). Africa has also been marginalised in the development of international institutions for the management of globalisation, which has tended to reinforce its position of economic disadvantage in the globalisation process (Hurrell and Woods, 1995). All in all, globalisation has reduced Africa to a position of ‘structural irrelevance’. Or has it ...?

While official African economies appear to be languishing in the environment of globalisation, the preceding analysis has shown that unofficial trade has flourished, not only within the West African sub-region, but also within the global arena. Indeed, the association of globalisation with network-based forms of economic organisation seems to presage a new role for transborder trading networks. The advantages of transborder operators, in terms of flexibility and responsiveness to economic change, and in terms of the network structure of African transborder commercial organisation are now legendary (Egg and Igue, 1993; Gregoire and Labazee, 1993; MacGaffey, 1991, 1994). The economic potential of transborder networks appears to have been demonstrated by their rapid global expansion, enabling them to penetrate as far as Asia, Australia and North America without the traditional intervention of an assortment
of Middle-Eastern and European middle-men. As Bach (1997) puts it,

"the spectacular growth of trans-state regional networks in Sub-Saharan Africa has fuelled global trends toward the continentalisation and multilateralisation of trade flows and the further integration of Africa into the world economy" (see also Bayart et al. 1999; McGaffey and Bazenguissa-Ganga, 1999, 2000).

In the process, a global infrastructure for transborder trade and currency flows has begun to develop. In step with the evolution of global cities in the rest of the world, the port-towns of West-African entrepôt economies have become the global cities of transborder trade, where the parallel economy merges with the official economy. Cotonou, Lomé and Banjul have become centres of international economic activity, complete with liberalised markets and modernising infrastructure. In the Gambia in particular, official efforts are being made to develop off-shore banking and financial facilities, and the Gambian Dalasi has been made internationally convertible, all with the aim of converting the Gambia into the ‘Singapore of West Africa’ (Sall and Sallah, 1994). There is even talk of transborder activities helping to reverse the marginalisation of Africa at the level of production. Some commentators claim that transborder trade is helping to relaunch the official economy through the investment of transborder profits in local production and services (Chazan, 1988; Ellis and MacGaffey, 1997).

While these developments sound very impressive, they fail to address the fundamental issues of Africa’s economic marginalisation in the context of globalisation. To begin with, the similarity between the ethnic and religious networks of transborder trade and the networks of global capitalism is entirely superficial. While the networks of transborder trade are bound together by religious and ethnic norms of commercial behaviour, the networks of globalisation involve forms of industrial organisation based on computerised production systems and internet communications (Castells, 1998; Hoogvelt, 1997). Moreover, the networks that drive globalisation relate to economic integration through production rather than through trade. Integration through trade in primary products and finished goods has been overshadowed by the global intra-firm trade in components and services between parent companies and affiliates (Gill, 1995; Cook and Kirkpatrick, 1997). Transborder trading networks are unlikely to obtain any advantages within the context of these computerised global production networks. Their continued emphasis on trade rather than production, and their comparatively low technological level gives transborder operators little to offer or to exploit at the cutting edge of global economic integration. In fact, the impact of transborder trade on West African involvement in these processes has been negative rather than positive, for a number of reasons.

In the first place, West African transborder trading networks lack the power to override processes of global marginalisation. While they are remarkably adept at the unofficial movement of goods across Africa, their international operations are largely through official channels. Primary commodity smuggling simply moves commodities from one African country to another, but the realization of foreign exchange from those commodities depends largely on official exports on the world market. Hence the characteristic phenomenon of countries that officially export more of certain commodities than they produce, such as Benin, Togo, the Gambia and Liberia in West Africa, and Sudan and Burundi in East Africa (Meagher, 1997; Ellis and MacGaffey, 1997). Similarly, trade in manufactured goods involves the importing of goods through official channels, largely into entrepôt economies, and then smuggling them into other African countries.

For the most part, West Africa’s parallel trading networks do not have the capacity to insinuate African goods into international markets behind the back of the official international trading system. The main exception to this relates to criminal commodities. In these cases, African trading networks operating at any significant scale are obliged to link up with international smuggling networks or with unscrupulous official buyers, who have the contacts necessary to bypass the controls of developed economies (Sherman, 2000). Moreover, African participation in international smuggling networks is largely at lower end of the trade where they are, at best,
glorified couriers and middlemen, rather than ‘barons’. With regard to the trade in hard drugs, the contention that Nigerian networks, which have only entered the trade since the mid-1980s and have no significant involvement at the production or consumption ends, are now on a par with Columbian cartels is patently absurd (Bayart et al. 1999; Labrousse, 1999; Reno, 1998). Similarly, African involvement in diamond smuggling involves the trafficking of rough stones, which only accounts for about 10 per cent of the final value of the international illegal diamond trade. The ‘real game’ starts from the diamond cutting centres in Europe, Israel, India and the U.S., and is dominated by players in the diamond cutting and marketing community, not by clandestine operators linked to the mining areas of collapsing African states (Green, 1981; Human Rights Watch, 1999; Sherman, 2000).

This means African transborder trading networks have little capacity to promote trade in West African commodities of no interest to the international underworld. Without the ability to penetrate international markets behind the back of the official trading system in the developed world, transborder trade can do little to overcome one of the main causes of Africa’s marginalisation in international trade, namely, growing protectionism in OECD countries (Griffith and Khan, 1992; Oxfam, 2002). For example, African textiles circulate throughout West and Central Africa via transborder trading networks, to the detriment of local textile firms, but international smuggling of African textiles remains insignificant despite their growing international popularity.

**Transborder Trade & the Political Economy of Marginality**

A second factor in the inability of transborder trade to overcome the marginalisation of Africa in the global economy relates to its impact on production within African countries. While a few optimists claim that transborder trade contributes to increased productive investment in African countries, the reality has been negative for both the agricultural and the industrial sectors. In Niger, Cameroun and Benin, transborder in-flows of agricultural commodities undermine the long-term viability of local agriculture by undercutting prices and eroding demand (Egg and Igue, 1993; Hashim and Meagher, 1999; Meagher, 1994). In countries such as Nigeria, transborder out-flows widen local markets, but also undermine local food security and disrupt agricultural development initiatives by siphoning off subsidised inputs to neighbouring countries (Meagher and Ogunwale, 1994; Hashim and Meagher, 1999). Moreover, a substantial proportion of transborder agricultural flows involves wheat flour and rice imported from the world market, which further undermine the profitability of agriculture in surplus and deficit economies alike (Coste et al. 1991; Harre and Oyep, 1992; Egg and Igue, 1993).

The impact on manufacturing has been even worse (Egg, 1993; Egg and Igue, 1993). The flood of cheap Asian manufactured goods imported via transborder trading circuits has crippled manufacturing industries throughout West Africa. Higher basic production costs and the inability to evade official taxes makes local industries unable to compete (Hashim and Meagher, 1999). Even local industries that supply transborder distribution networks have been unable to benefit from the situation, owing to the contradiction between rising local production costs, increased global competition and collapsing effective demand throughout Africa (Hashim and Meagher, 1999). As Sall and Sallah (1994) observed in the Senegambian region, increased liberalisation may narrow the price disparities which provide opportunities for transborder trade, but only to confront local industries with the ravages of international competition. In the choice between transborder trade and liberalisation, local industry is confronting a no-win situation.
Eroding State Capacity

In addition to undermining local production, transborder trading networks severely erode state control of resources. Millions of dollars annually are lost in unpaid duties and excise taxes, not to mention the losses in official foreign exchange receipts. In Senegal alone, fiscal losses from the smuggling of groundnuts amounted to 200 billion F CFA in a single year (Sall and Sallah, 1994). Even if these losses were balanced out by the fiscal gains of entrepôt economies, which is unlikely for a variety of reasons (see Igue and Soule, 1992), this would still have a perverse effect on the development of manufacturing. Economies with the best developed manufacturing sectors would lose revenue with which they might have further developed manufacturing, while countries which have adopted a development strategy that effectively precludes the development of any significant manufacturing sector receive the fiscal gains. Not a developmentally sound redistribution of resources.

These various effects of transborder trade reinforce another dimension of Africa’s global economic marginalisation, namely the low level of technology and infrastructure. As mentioned earlier, globalisation involves the development of production and service networks linked by high-level communications and information technology. Investment is attracted to countries, and in fact to areas within countries, which have the necessary technological and communications infrastructure (Cook and Kirkpatrick, 1997; Castells, 1998). Areas where this infrastructure is inadequately developed are simply bypassed. Throughout most of West Africa, the telecommunications and banking systems, and the level of infrastructural support for computer systems and access to the internet, are clearly inadequate to attract the attention of global investors. While this is in part a problem of internal priorities, planning, and economic management, the erosion of state revenues via transborder trade does not help matters. Moreover, the instability of West African monetary and financial systems, which is seriously exacerbated by transborder trading activities, is a powerful disincentive to the closer integration of West Africa into global production networks.

The bottom line is that transborder trade is structurally incapable of re-integrating West Africa into the global economy, by the back door or otherwise. While transborder trading networks have facilitated global trade and private accumulation, they have tended to undermine the critical dimensions of manufacturing, financial stability, and infrastructural investment. Transborder trade is an essentially opportunistic activity; it exploits disparities in fiscal and monetary policies, loopholes in trading and financial systems, and the opportunities of liberalising markets and weakening states. Unfortunately, successful integration into the process of globalisation requires the ability to take the lead in shaping international policy frameworks and the way in which they are implemented (Hurrell and Woods, 1995), rather than just exploiting the gaps and weaknesses that emerge in the process.

Transborder Trade & Indigenous Commercial Classes: Criminalisation or Institutional Incorporation?

Despite all efforts at containing it, transborder trade is still going strong in West Africa. Structural adjustment has only succeeded in reorganising rather than undermining the trade, and globalisation has widened its international reach. Policy makers are now left with two major options: transborder trade can be suppressed and criminalised, or it can be incorporated into the formal economy through more appropriate policy incentives to guide and reorient its activities.

Neo-liberal ideologues and international development institutions seem to be gravitating towards the criminalisation option. Close analysis suggests that this policy preference has more to do with the interests of Western powers regarding control and protection of their markets than with hard empirical evidence on levels of criminalisation. Actual evidence indicates that the trade in
legal goods still predominates. The insinuation that transborder activities are all the same because they operate outside the law reflects a remarkable amnesia regarding African indigenous commercial history, which it suited many of these same ideologues to remember a decade ago when the ideological winds were blowing in a different direction (MacGaffey, 1991; MacGaffey and Windsperger, 1990; World Bank, 1989).

Indeed, the entire criminalisation thesis rests on a refusal to raise relevant analytical questions about the distinction between indigenous trading networks and organised crime. The very notion of trading networks, which involve an accumulation of specific commercial skills, contacts, informal trading infrastructure, and social relations based on ethnic or religious moral codes, militates against the diversification of most transborder networks from legal to illegal goods, given the very different nature of the skills, contacts and moral codes involved. Ultimately, primordialist assumptions about the amoral economic attitudes of Africans, combined with the tradition of anecdotal evidence in studies of transborder trade, have combined to redefine the nature and economic consequences of the trade with little systematic evidence to back up the claims being made.

In the wake of September 11, allegations of links with terrorism now dog the unofficial currency movements used to finance the trade (BBC News, 8 November 2001; Ganguly, 2001; O’Driscoll et al. 2001). It does not help matters that much of West African transborder activity involves Muslim networks. Strategists in the War against Terrorism focus on the potential of unregulated financial flows for funding drugs and terrorists, while ignoring their actual deployment in providing the livelihoods, affordable consumer goods and remittances that have kept African societies from collapsing under the ravages of structural adjustment. Indiscriminant crack-downs will only exacerbate African marginalisation, thereby doing more to breed criminality and rebel activity than to stem it.

From the point of view of West African development and international security, the criminalisation of transborder trade is not the best option. For all its faults, transborder trade remains by far the most efficient, organised and institutionally deep-rooted system of trade in the West African sub-region. Whatever their failings under contemporary economic conditions, transborder trading systems also have something to offer. In particular, the commercial skills, experience and organisational infrastructure of transborder traders represent invaluable institutional resources for the development of an effective West African regional trading bloc, which is itself an important component of any effective strategy for integrating West Africa into the global economy. What is needed is a more effective developmental framework within which these networks can operate, not cut loose by wholesale liberalisation or hemmed in by excessive regulations, but guided by economic incentives and a policy environment which combines strategic liberalisation with a regulatory framework for the development of agricultural and industrial production in West Africa.
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