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Commodity Dependence, Product Diversification, and the Implementation of the Biat Action Plan in West Africa, 2012–2022

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Abstract

West African economies exhibit a pronounced reliance on primary commodities, a structural characteristic that has historically impeded industrialization, trade competitiveness, and regional integration. This study critically examines the relationship between commodity dependence, product diversification, and the implementation of the Boosting Intra-African Trade (BIAT) Action Plan in West Africa over the period from 2012 to 2022. Drawing upon structural transformation theory and trade complementarity theory, the research investigates how limited diversification constrains the capacity of West African nations to fully capitalize on BIAT, while also exploring the potential of diversification as a catalyst for enhanced intra-regional trade. Employing a mixed-methods approach, the study integrates quantitative indicators—including export diversification indices, trade concentration ratios, and intra-regional trade shares—sourced from the UNCTAD and ECOWAS databases. This quantitative analysis is complemented by qualitative examinations of policy documents and expert insights. The findings suggest that persistent commodity dependence has significantly restricted the outcomes of BIAT. Conversely, while diversification efforts have been uneven across member states, they have positively contributed to trade complementarity and regional integration. This study highlights the dual challenge of reducing commodity dependence and fostering diversification as essential preconditions for the successful implementation of BIAT in West Africa. Furthermore, the paper contributes to the existing literature on African trade policy by linking structural economic transformation with the execution of continental integration frameworks, offering policy recommendations aimed at advancing sustainable regional trade.

Keywords: BIAT, commodity dependence, intra-regional trade, product diversification, structural transformation, West Africa

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Introduction

The diversification of national products in West Africa represents a pivotal strategy for the successful implementation of the Boosting Intra-African Trade (BIAT) initiative, a flagship framework of the African Union designed to expand intra-African trade and foster regional integration. Diversification enhances economic resilience, promotes sustainable growth, and creates the conditions for deeper regional trade (Hummels and Klenow, 2005). Within the Economic Community of West African States (ECOWAS), diversification is increasingly viewed as a critical pathway to reducing vulnerability to external shocks, overcoming the historical dependence on a narrow range of exports, and facilitating the achievement of BIAT's objectives.

Economic diversification refers to the broadening of a country's range of economic activities and outputs beyond a limited set of sectors. This process may take the form of horizontal diversification—expanding within existing sectors—or vertical diversification—developing new sectors along the value chain (Ross and Werker, 2024). In the West African context, where economies remain heavily reliant on primary commodities such as crude oil, minerals, and a few agricultural products, diversification is essential for achieving sustainable development and effective regional integration. As Usman and Landry (2021) note, economic diversification entails a deliberate shift away from dependence on a few primary commodities toward an expanded array of sources for production, trade, employment, and revenue generation.

This objective is intimately tied to the process of structural transformation, which involves reallocating resources from low-productivity sectors, notably subsistence agriculture, to higher-productivity sectors such as industry and services. Structural transformation is characterized by a declining share of agriculture in employment and output, rising productivity, and improvements in efficiency across the economy (Songwe, 2019; Usman, 2022). In this sense, diversification is not merely an economic adjustment but a developmental imperative that underpins productivity growth and long-term competitiveness. As Cadot, Carrère, and Strauss-Kahn (2013) emphasize, differences in total factor productivity largely explain variations in income levels across countries. Hence, economies that manage to diversify and enhance productivity are better positioned to achieve inclusive growth and trade competitiveness.

In this regard, the challenge of commodity dependence in West Africa assumes renewed importance. The region's persistent reliance on extractive and primary goods has constrained industrialization and limited the potential of intra-regional trade. Conversely, product diversification has the potential to increase trade complementarity among ECOWAS member states, reduce structural vulnerabilities, and accelerate the implementation of BIAT. This study therefore delivers a comprehensive, region-specific analysis of the interconnections between commodity dependence, product diversification, and the implementation of the BIAT initiative within the ECOWAS framework from 2012 to 2022. It explicitly correlates structural economic patterns with the tangible outcomes of a significant trade integration initiative. Consequently, it provides a more nuanced assessment of the structural constraints that impede the effective realization of BIAT in West Africa.

Methodology

This study employs a mixed-methods research design, integrating both quantitative and qualitative approaches. The quantitative component focuses on measuring patterns of commodity dependence and product diversification, while the qualitative component investigates the institutional and policy processes that influence the implementation of the Boosting Intra-African Trade (BIAT) initiative in West Africa. The analysis covers the period from 2012 to 2022, coinciding with the adoption and initial implementation phases of BIAT. The geographical scope includes all fifteen member states of the Economic Community of West African States (ECOWAS), reflecting the regional focus of West Africa's integration agenda. Data utilized for this research consists of:

- Quantitative Data: Trade and Diversification Indices sourced from UNCTAD statistics and ECOWAS, in addition to Trade Flows and Commodity Reliance Ratios from UNCTAD and Africa Trade Report.
- Qualitative Data: Policy documents and scholarly literature relevant to trade, diversification, and structural transformation.

Theoretical framework

Structural transformation theory provides a central lens for understanding the relationship between national product diversification and intra-regional trade in West Africa. Rooted in the works of Lewis (1954), Hirschman (1958), and Kuznets (1973), the theory posits that long-term economic development is driven by the reallocation of resources from low-productivity primary sectors, such as subsistence agriculture and extractive industries, to higher-productivity sectors, notably manufacturing and modern services. This process enables economies to diversify their product base, create value-added goods, and expand their trade capacity. In the West African context, most economies remain heavily dependent on primary commodities, including crude oil, cocoa, gold, and cotton. Such dependence limits the scope of product diversification and, consequently, restricts opportunities for deeper intra-regional trade. Structural transformation theory suggests that without industrial upgrading—through agro-processing, light manufacturing, and service sector development—countries are likely to remain locked into commodity dependence, undermining their capacity to benefit from regional integration frameworks such as the BIAT initiative and the African Continental Free Trade Area (AfCFTA). Thus, product diversification is not only a domestic growth strategy but also a prerequisite for expanding regional trade complementarities.

Trade complementarity theory complements structural transformation by explaining how the alignment of countries' product structures affects intra-regional trade flows. According to the new trade theory (Krugman, 1979; Helpman and Krugman, 1985; 1989), trade is enhanced when countries produce differentiated goods that meet the import needs of their partners. Conversely, when export structures are highly similar and concentrated in primary commodities, trade opportunities within a regional bloc are limited. In West Africa, overlapping commodity export profiles—such as multiple countries exporting cocoa or crude oil—create weak trade complementarities. This situation reduces the incentives and opportunities for member states to trade with one another, instead reinforcing dependence on extra-regional markets. However, when countries diversify into complementary sectors, such as processed food, textiles, or manufactured goods, the potential for intra-industry and intra-regional trade expands significantly. Diversification therefore plays a dual role: it strengthens domestic productive capacity and enhances cross-border trade synergies within the regional bloc.

The combined application of structural transformation theory and trade complementarity theory is analytically justified because each offers a distinct but mutually reinforcing perspective on the central research problem—why West African economies struggle to diversify and how this constrains intra-regional trade under BIAT. The application of structural transformation theory is justified in its capacity to elucidate the internal conditions that govern a nation's ability to diversify economically. Key elements such as productivity shifts, sectoral reallocation, and industrial upgrading are central to understanding this capacity. This theory is particularly insightful in explaining why numerous West African economies remain entrenched in primary commodity dependence, even in the face of available regional integration opportunities. Consequently, structural transformation theory offers significant explanatory value by establishing a connection between national product structures and the underlying structural constraints that influence diversification outcomes. This, in turn, relates to the ability of West African countries to engage effectively in trade expansion driven by the BIAT.

Conversely, trade complementarity theory introduces an important regional perspective by examining how the alignment or misalignment of countries' product structures impacts intra-regional trade flows. While structural transformation theory focuses on domestic diversification drivers, trade complementarity provides clarity on how diversification can enhance demand matching, product differentiation, and trade synergies within ECOWAS. By triangulating these two theories, a more holistic analytical framework emerges, facilitating a comprehensive exploration of both the internal productive capacities essential for diversification and the external trade relationships critical for the success of BIAT initiatives.

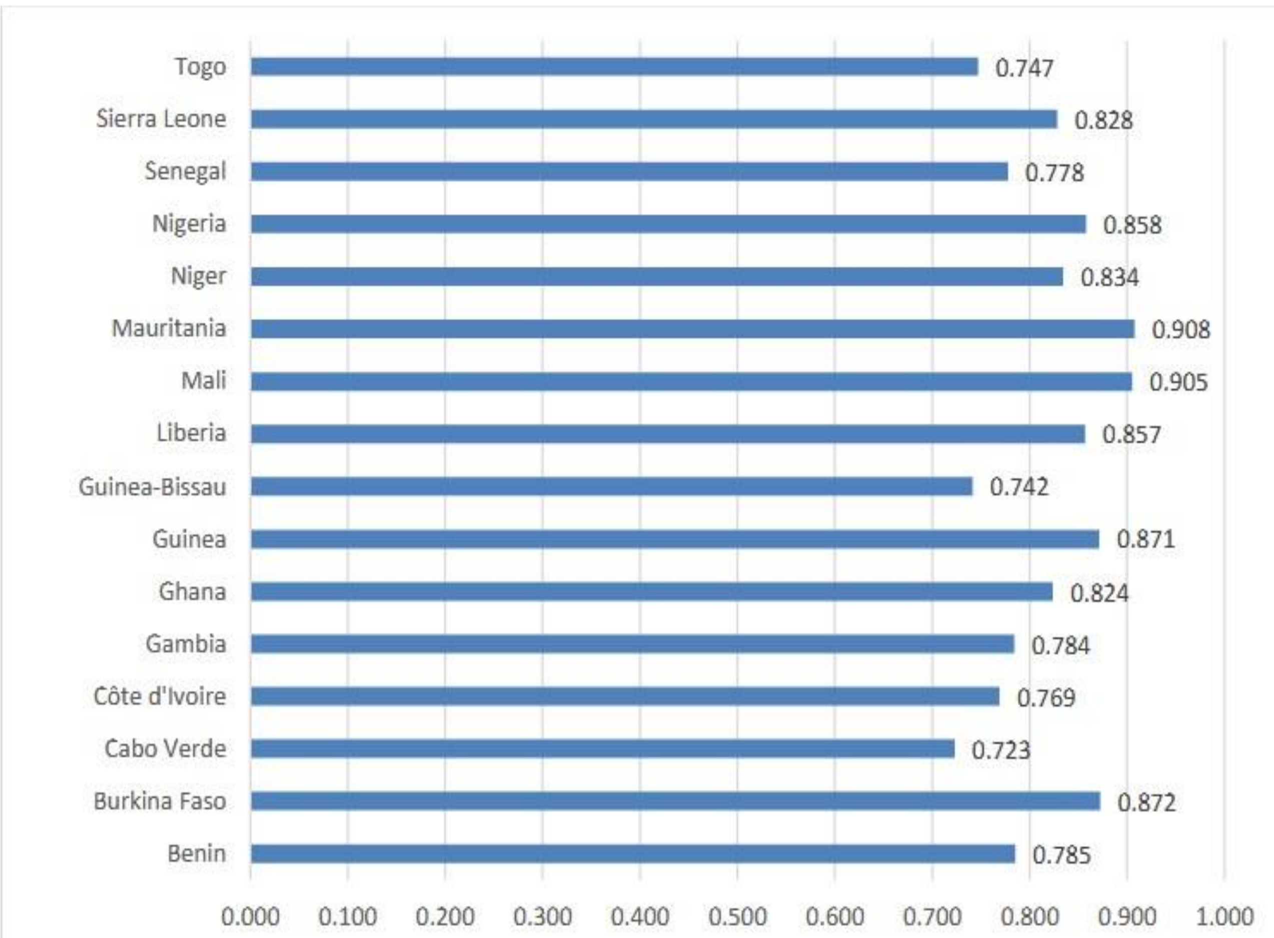
The State of Commodity Dependence and Diversification in West African Economies

Diversification is widely recognized as a means to mitigate risks associated with market volatility and dependence on a limited set of commodities. By expanding the economic base, countries can reduce vulnerability to external shocks, such as fluctuating commodity prices or demand changes (Usman and Landry, 2021; Freire and Slany, 2023). This stability is particularly relevant for the West African region, where economies are heavily impacted by global market dynamics. The theory of comparative advantage suggests that countries benefit from specializing in the production of goods for which they have a relative efficiency. However, this specialization often results in limited intra-regional trade if countries produce similar goods. Diversification, on the other hand, can enhance comparative advantages by creating a variety of goods and services that can be traded within the region, thus boosting intra-African trade.

Another conceptualization of economic diversification, termed export diversification, is centred on a nation's principal trade sectors and affiliations. Export diversification pertains to broadening the scope of goods and services that an economy exports to global markets or to the specific markets where they are traded (Mania and Rieber, 2019; Usman and Landry, 2021)). This expansion typically involves transitioning from the exportation of a limited range of primary commodities to a more extensive array of manufactured goods and services. Furthermore, export diversification may encompass the extension of exports to an increased number of destination countries (Rondeau and Roudaut, 2014). These augmentations in exported goods and trade partners are frequently associated with engaging in novel global value chains.

Consequently, this can facilitate countries in leveraging forward linkages and enabling domestic enterprises to enhance global competitiveness through technology transfers and operational efficiencies (Songwe, 2019). The status of export diversification within the West African sub-region can be assessed using the export diversification index. This index ranges from 0 to 1, with higher values indicating a greater level of diversification. **Figure 1** illustrates the export diversification values for West Africa as of 2021.

Figure 1

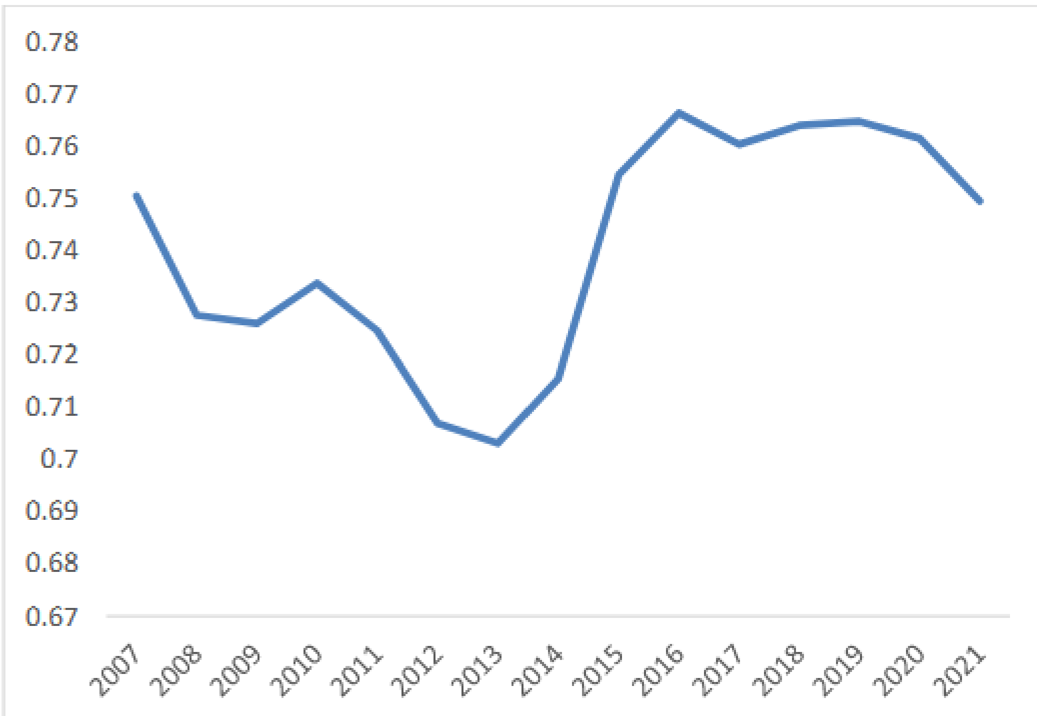


The Value of Export Diversification in West Africa, 2021

Source: Effiong, U. and Orebiyi, P. (2023). Export diversification, financial sector development and economic growth: Empirical evidence from West African sub-region. *Studies in economics and business relations*, *4*(2), 13-36. DOI: 10.48185/sebr.v4i2.865

According to **Figure 1**, Mauritania stands out with the highest export diversification index of 0.908, followed by Mali (0.905), Burkina Faso (0.872), Guinea (0.871), Nigeria (0.858), and Liberia (0.857). On the lower side are Cabo Verde, Guinea-Bissau and Togo standing at 0.723, 0.742 and 0.747 respectively. During the period under study, the value of export diversification in West Africa has not sustained an upward trend over the years as is illustrated by **Figure 2**.

Figure 2



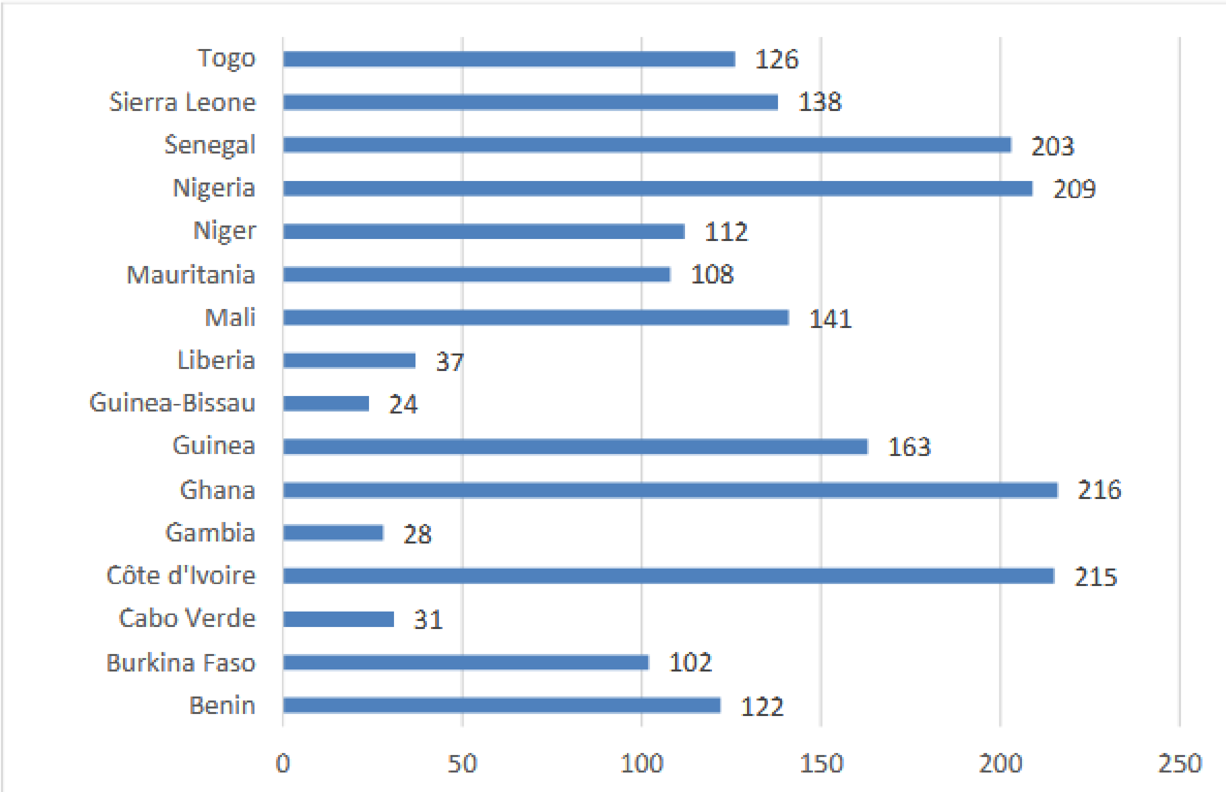
The Trend of Export Diversification in West Africa

Source: Effiong, U. and Orebiyi, P. (2023). Export diversification, financial sector development and economic growth: Empirical evidence from West African sub-region. *Studies in economics and business relations*, *4*(2), 13-36. DOI: 10.48185/sebr.v4i2.865

The declining trend in 2012 saw a rise in 2013 (0.703) to a peak of 0.766 in 2016 after which another declining trend set in as the value dropped to 0.762 in 2020 and then 0.749 in 2021. This reveals the need to increase the production of export goods which will further boost export diversification, increasing intra-regional trade and strengthening regional integration and growth.

According to UNCTAD (2022), only 4 West African countries have over 200 export product in 2021 (see **Figure 3**). Topping the list is Ghana with 216 export products, then Cote d'Ivoire (215), Nigeria (209) and Senegal (203). Overall, the total number of export products in West Africa in 2022 is 251 denoting a one-unit increase from the previous year.

Figure 3



Number of Export Products in West African Countries in 2021

Source: UNCTAD (2022). Merchandise: Product concentration and diversification indices of exports and imports annual. Retrieved January 3, 2023 from https://unctadstat.unctad.org/datacentre/dataviewer/US.ConcentDiversIndices

West African economies are characterized by their heavy reliance on a narrow range of exports; predominantly agricultural and mineral commodities. For instance, Nigeria's economy is heavily dependent on oil exports; Ghana relies on gold and cocoa; and Côte d'Ivoire on cocoa and cashew nuts. This concentration makes these economies vulnerable to global price fluctuations and external economic shocks. An analysis of the sectoral composition of West African economies reveals significant disparities in diversification levels. Countries like Nigeria and Ghana, despite their wealth in natural resources, show lower levels of industrial diversification compared to nations like Senegal and Côte d'Ivoire, which have made strides in developing their manufacturing sectors. These differences highlight the varied stages of economic development and diversification within the region. Freire and Slany (2023, p.3) buttress that "the main obstacles to intra-African trade include low trade complementarity due to low economic diversification and limited productive capacities, high non-tariff barriers, and lack of infrastructure". The Action Plan of BIAT is expected to address these trade frictions through various initiatives.

One key aspect of BIAT is enhancing trade facilitation. While this is essential, it is insufficient on its own to significantly increase manufacturing exports. Many African countries operate within limited market scopes. To address this issue, efforts towards defragmentation are imperative. Such efforts are designed to attract foreign investment, increase the profitability of domestic investments, and enhance the competitiveness of products. Market defragmentation necessitates both country-specific reforms and regional initiatives. The sister initiative to BIAT – AfCFTA is integral to this process. If implemented effectively, it will remove both tariff and non-tariff trade barriers and improve inter-country connectivity, including logistics, secure transportation, and rail infrastructure development. Nevertheless, it is very important for countries to adopt proactive and innovative industrial policies. These policies should aim to establish a robust manufacturing base. Strategies should be both comprehensive, promoting enterprise creation and development, and targeted, leveraging each country's unique strengths and comparative advantages (African Trade Report, 2023).

Trade patterns within ECOWAS illustrate the limited intra-regional trade, with a significant proportion of exports directed towards markets outside Africa. For instance, in 2019, intra-ECOWAS trade accounted for only about 10-15% of total trade, underscoring the need for diversification to enhance regional trade flows (UNCTAD, 2023). Diversification of national products holds substantial potential for advancing the BIAT initiative by addressing the core barriers to intra-regional trade. These barriers include limited production capacities, inadequate infrastructure, and non-tariff barriers such as regulatory discrepancies. Diversification of exports should also result in an augmentation of product sophistication. Product sophistication denotes the proportion of value addition in a product or product upgrading. Heightened value addition and sophistication elevate productivity and augment the overall value of exports (Hausmann, Hwang and Rodrik, 2006). Diversification can lead to the development of new industries and value chains, increasing production capacities and creating opportunities for value-added products. For example, agro-processing industries can transform agricultural raw materials into finished products, enhancing trade within the region. A diversified economic base requires robust infrastructure to support varied industries. Investment in transportation, energy, and communication infrastructure is critical to facilitate the movement of goods and services across borders, thereby boosting intra-regional trade. Economic diversification can also help reduce non-tariff barriers by harmonizing standards and regulations across different sectors. This harmonization is essential for creating a conducive environment for trade and investment within West Africa.

Case Studies of Successful Diversification Attempts in West Africa

Several ECOWAS countries have undertaken successful diversification strategies that can serve as models for the region. The region, characterized by its vast cultural and natural diversity, has been making strides towards economic diversification to reduce its dependency on a narrow range of commodities, such as oil, cocoa, and minerals. This is vital for boosting intra-regional trade, enhancing economic stability, creating jobs, and fostering sustainable development. Below are some notable case studies of successful diversification efforts in various West African countries.

Ghana: Beyond Cocoa and Gold

Ghana has made remarkable advancements in the development of its cocoa processing industry; transitioning from predominantly exporting raw cocoa beans to the production of cocoa butter, powder, and chocolate. This vertical integration within the cocoa sector has led to an increase in value addition and export revenues, thereby demonstrating the benefits of diversification. Ghana is one of the world leading producers of cocoa. While cocoa remains a major export, the government has encouraged local processing to capture more value. Companies like Cocoa Processing Company (CPC) and Niche Cocoa have expanded their operations, producing cocoa butter, liquor, chocolate and powder for export and local consumption. Globally, Ghana's cocoa sets the benchmark for quality, boasting high theobromine content, a key alkaloid, making it the preferred choice for premium chocolate production. This reputation is the result of consistent, stringent quality control measures enforced by the Quality Control Division (QCD) of COCOBOD, aimed at preserving the high value of cocoa in the global commodities markets (GCB Strategy and Research Dept., 2023).

A combination of factors has contributed to the prosperity of Ghana’s cocoa sector. These include a favourable pricing system, partial liberalization, and Cocobod’s interventions to enhance cocoa productivity and quality (Kolavalli and Vigneri, 2011). Historically, Ghana's economy has been heavily reliant on cocoa and gold. Nevertheless, recent diversification efforts have been directed towards various sectors, encompassing agriculture, energy, and tourism. For instance, the Planting for Food and Jobs (PFJ) initiative launched in 2017 aims to boost agricultural productivity and create jobs (Tanko, Ismaila and Sadiq, 2019). It has successfully increased the production of staple crops like maize, rice, and soybeans. Likewise, the West Africa Competitiveness Programme (WACOMP) collaborated with the Ashanti Mampong Cassava Value Chain Association in Ghana. Through this partnership, they boosted product diversification and market opportunities within the cassava value chain. The association successfully produced high-quality cassava flour, cassava chips, cassava starch, and ethanol (UNIDO, 2024).

Moreover, Ghana has made significant strides in renewable energy, particularly solar and wind power. The government’s Renewable Energy Master Plan aims to increase the contribution of renewable energy in the national energy mix to 10% by 2030 (Aboagye, Gyamfi, Ofosu, and Djordjevic, 2021). These strategies and incentives aim to promote the development of sustainable renewable energy technologies in Ghana, contributing to the growth of the renewable energy market in the West African sub-region. Additionally, these efforts will ensure that household appliances powered by renewable energy, small hydropower turbines, water pumps, wind turbine components, batteries, inverters, and waste-to-energy plants are manufactured and assembled within Ghana.

Nigeria's Non-Oil Sector Development

Nigeria has focused on developing its non-oil sectors, particularly agriculture and manufacturing. Initiatives to promote rice production and textile manufacturing have shown promise in reducing the country's dependence on oil exports and enhancing its economic resilience. Historically, this largest economy in the region has been heavily dependent on oil, which accounts for a significant portion of its GDP, government revenue, and export earnings. However, the volatility of oil prices has spurred the Nigerian government to make concerted efforts to diversify its economy. On agriculture and agro-processing, Nigerian government launched the Anchor Borrowers' Programme (ABP) to provide financial and technical support to rice farmers. Coker, Akogun, Adebayo and Mohammed (2018) mention that the programme recorded commendable achievements in its attempt at substituting rice import, farmer empowerment through provision of subsidized agro-inputs and starter pack and cash, farmer profiling, development of cooperative and banking culture. This initiative has led to a substantial increase in rice production, making Nigeria the largest rice producer in Africa.

Additionally, investments in the cassava value chain have been promoted to increase production and processing. Nigeria is Africa's largest producer of cassava, and efforts to develop value-added products like cassava flour and ethanol have boosted incomes and created jobs (Gaffney, Kpaka, Slakie and Anderson, 2019). The Nigerian government has equally implemented policies to foster the digital economy, including the National Digital Economy Policy and Strategy (2020-2030), which aims to leverage technology to drive economic diversification (Nigerian Communications Commission, 2020). It is worth mentioning that Nigeria has attracted investments from major automobile manufacturers, leading to the establishment of assembly plants by companies like Nissan, Peugeot, and Innoson – Nigeria's indigenous vehicle manufacturing company.

Côte d'Ivoire's Agro-Industrial Growth

Côte d'Ivoire has diversified its economy by investing in agro-industrial projects, such as cashew processing and rubber production. These efforts have not only increased the country's export base but also created employment opportunities and spurred economic growth. Côte d'Ivoire, the world’s largest cocoa producer, has diversified its economy through investments in agriculture, industry, and infrastructure. For example, in the agricultural and agro-processing sector, the government has promoted the cultivation of rubber and palm oil, leading to significant export growth in these sectors. Buttressing this, Kouakou (2020, p.49) explains that Ivory Coast is the leading producer of natural rubber in Africa and seventh globally, with rubber being its third-largest export, accounting for 6% of total exports. The country also plays a significant role in palm oil production, ranking fifth in the world with an annual output of 400,000 tons, and it is the top African exporter of palm oil. The sector employs over one million people, has 75,000 hectares of industrial plantations and 155,000 hectares of village plantations, generating 220,000 direct jobs and contributing 1.5% to the GDP.

Also, efforts to process cocoa locally have been successful, with companies like Barry Callebaut and Cargill increasing their processing capacities in the country. Côte d'Ivoire has revitalized its textiles and garments industry whereas the booming construction sector has driven demand for locally produced cement and other building materials. Moreover, major projects like the Abidjan Port expansion and improvements in road and rail networks have enhanced Côte d'Ivoire's position as a regional trade hub. Investments in power generation, including hydroelectric and thermal plants, have improved energy security and supported industrial growth (Pelizan, Sedji and Rahnema, 2018).

These case studies highlight the diverse approaches West African countries have taken to diversify their economies. However, the development exposes the need for improvement and further progress. For instance, Obeng (2022) avers that in spite of all its developments, Ghana has not made much progress with exports over the years. In fact, Ghana's export intensity has decreased and the trade balance has been in deficit over the years, with the exception of 2017 and 2018. Ghana's diversification efforts within the old export structure, which is, adding value to existing raw materials or primary products has not been sustainable. The option of scouting for new products to augment the export basket can be explored. Still, while challenges remain, including political instability, infrastructure deficits, and the need for continuous policy reforms, the progress made demonstrates the potential for sustainable economic development through diversification. These examples demonstrate that targeted interventions, collaboration, and investment in specific value chains can lead to successful product diversification in West Africa. By continuing to leverage their unique resources and strengths, West African nations can build more resilient economies capable of withstanding global economic fluctuations and improving the livelihoods of their populations. The region can continue to expand its economic base and reduce dependence on a narrow range of commodities.

Challenges of Product Diversification in West Africa

West Africa's complex socio-economic landscape, characterized by a mix of opportunities and constraints, influences the feasibility and success of diversification efforts. While the potential for product diversification is significant, several challenges hinder product diversification in the region. Below are some of the critical challenges:

Structural Constraints

Many West African economies face structural constraints such as inadequate infrastructure, limited access to finance, and a lack of technological innovation. To begin with, poor infrastructure, including roads, ports, and electricity, hampers industrial and agricultural development. Investments in infrastructure are critical to support diversification efforts. The availability and quality of infrastructure play a crucial role in determining a country's ability to diversify its production and exports. Infrastructural facilities such as transportation networks, energy supply, and communication systems impact the movement of goods and services. Uneven distribution of infrastructure can hinder diversification efforts, especially in regions with inadequate power supply or poor road conditions (Agu, 2016). In other words, the lack of availability and poor quality of infrastructure, including inadequate transportation networks, outdated communication systems, unreliable energy supply, and insufficient water resources, significantly hinder a country's ability to diversify its production and exports. Poor infrastructure leads to inefficiencies in the movement of goods and services, increases costs, and limits access to both domestic and international markets. As a result, countries with substandard infrastructure struggle to attract investments, stimulate economic activities, or foster innovation across various sectors. Consequently, these countries find it challenging to expand their industrial base, explore new market opportunities, and achieve sustainable long-term economic growth.

Thus, proper maintenance of infrastructure is essential. Power shortages, road potholes, and other deficiencies slow down the transition toward a more diversified production and export structure. Inefficient infrastructure can disrupt supply chains, affect production processes, and limit the competitiveness of local industries (Ngassam, 2023). Public infrastructure constraints, including inferior power services and customs delays, have immediate impacts on regional exports. Addressing these behind-the-border constraints is crucial for fostering regional integration in Africa and promoting diversification (Yoshino, 2008).

Secondly, many businesses in West Africa face challenges in accessing formal financial services. Insufficient access to credit, loans, and working capital hinders investment in new ventures and diversification efforts. Small and medium-sized enterprises (SMEs) often struggle to secure financing for research, development, and expansion into new product lines (Usman and Landry, 2021). Limited access to finance for small and medium-sized enterprises (SMEs) restricts their ability to expand and diversify. Commercial banks and financial institutions often charge high interest rates on loans. Additionally, stringent collateral requirements make it difficult for businesses, especially start-ups, to obtain funding. These barriers discourage entrepreneurs from exploring new product opportunities and diversifying their offerings (Agu, 2016). West African countries often experience currency fluctuations due to external factors such as commodity prices and global economic conditions. Exchange rate risks impact businesses engaged in cross-border trade and can affect profitability. SMEs may hesitate to diversify into export-oriented products due to uncertainty related to currency values (Ayalew and Xianzhi, 2020). Improving financial inclusion and developing robust financial markets are essential. Addressing these constraints requires coordinated efforts and substantial investment in infrastructure and technology.

Practically, without robust financial markets businesses find it challenging to raise capital for diversification projects. The lack of well-functioning financial markets, including stock exchanges and venture capital networks, limits investment options. Investors may prefer safer, established sectors over riskier ventures, hindering diversification efforts (AUC/OECD, 2022). A significant portion of economic activity in West Africa occurs in the informal sector. Informal businesses often operate outside formal financial systems, relying on cash transactions. This limits their ability to access credit, invest in technology, and explore new product lines. Moreover, poor infrastructure (such as inadequate roads, unreliable power supply, and limited transportation networks) increases logistics costs. And when transportation costs are high, it impacts the competitiveness of locally produced goods. Businesses may hesitate to diversify into new markets if infrastructure constraints hinder efficient distribution and delivery.

Another challenge is related to limited investment in research and development (R&D). Without adequate technological advancements, firms struggle to innovate and create new products. As a result, they remain reliant on traditional industries and commodities, hindering diversification efforts. Outdated production methods prevail due to insufficient technological adoption. These techniques limit the range of products that can be efficiently manufactured. For instance, textile production might rely on manual looms rather than automated machinery, restricting the variety of textiles produced. Inadequate infrastructure, such as unreliable power supply and poor transportation networks, hampers industrial growth. Without modern infrastructure, firms face challenges in scaling up production and expanding their product lines. For example, perishable goods may spoil during transportation due to inadequate cold storage facilities.

Similarly, the lack of skilled workers proficient in modern technologies affects product diversification. Firms struggle to adopt advanced manufacturing processes or develop high-value-added products. Insufficient technological innovation perpetuates dependency on primary commodities for export revenue (Yoshino, 2008). Without diversifying into higher value-added products, the region remains vulnerable to commodity price fluctuations. Technological advancements enable better access to market information. Without such tools, firms may not identify emerging trends or consumer preferences. Consequently, they miss opportunities to diversify their product offerings to meet changing demands.

Policy Barriers

Macroeconomic policies, which include fiscal policy, monetary policy, exchange rate policy, and trade policy, also have a significant influence on product diversification. Fiscal policies, such as government spending and taxation, can affect the level of economic activity and the availability of resources for investment in new industries. Monetary policies, which regulate the money supply and interest rates, impact the cost of borrowing and the availability of credit, thus influencing businesses' ability to finance diversification efforts. Exchange rate policies can affect the competitiveness of a country's exports, making it easier or more difficult for domestic producers to enter new markets. Trade policies including tariffs, quotas, and trade agreements, shape the external environment for businesses by either promoting or restricting access to foreign markets. Together, these macroeconomic policies create a framework that can either encourage or deter product diversification, affecting a country's economic resilience and growth potential. Therefore, while infrastructure is critical, macroeconomic policies also influence diversification. Policies that impact relative prices (such as interest rates and exchange rates) are essential for encouraging diversification. If policies fail to address relative prices effectively, they may not lead to successful diversification efforts (Agu, 2016; Mosley, 2018).

Political Instability

Political stability is a prerequisite for economic development and diversification. Ensuring stable and transparent governance can create a favourable environment for product diversification, investments and economic activities. West Africa faces a complex landscape of political instability, including coups, conflicts, and governance challenges. For decades, nations such as

Liberia, Sierra Leone, Côte d'Ivoire, and Guinea-Bissau have been severely impacted by conflicts and civil strife, marked by pervasive violence and continual fatalities. Although violent conflicts are on the decline in this sub-region, recent insurgencies in the Sahel region—affecting West African countries including Mali, Niger, and Mauritania—alongside the emergence of low-intensity conflicts in traditionally stable countries such as Ghana, Nigeria, and Senegal, raise significant concerns about the potential resurgence of internal and regional violent conflicts (Annan, 2014). These factors significantly impact economic development and diversification efforts. In recent times, the region has experienced an increase in successful and attempted coups. Coup attempts undermine investor confidence and disrupt economic activities. Poor governance, weak institutions, and clientelistic politics contribute to instability.

Violence displaces populations, disrupts trade, and hampers economic growth. Political instability impedes diversification efforts. Investors shy away from uncertain environments, limiting investment in new sectors (Siaplay and Werker, 2023). Diversification requires stable governance and facilitative policies. Stable political norms are essential for attracting investment and fostering diversification. Conflict, on the other hand, negatively affects all sectors of the economy, exacerbating poverty, instability, and economic decline (Dalyop, 2019). Specifically, conflicts disrupt agricultural activities, leading to crop destruction, displacement of farmers, and reduced food production. Insecurity affects access to farmland, markets, and transportation routes, hindering food distribution. The resulting food scarcity exacerbates poverty and malnutrition (Marc, Verjee and Mogaka, 2015; Yakovenko, 2016).

Conflict zones often contain valuable natural resources (such as minerals, oil, and timber). Armed groups exploit these resources illegally, leading to environmental degradation and revenue loss for governments. Legal extraction industries face risks due to insecurity and resource theft. Infrastructure projects (roads, bridges, power plants) are disrupted during conflicts. This hampers economic development and reconstruction efforts. Factories and supply chains are vulnerable to attacks or disruptions. Cross-border trade faces challenges due to closed borders, checkpoints, and insecurity. Export-oriented industries suffer from reduced market access. Financial services and banking are not exempted. Banks may close or limit operations due to insecurity. Investment and credit decline, affecting businesses and individuals. Remittances from diaspora communities may decrease (Dalyop, 2019).

Schools and universities are disrupted, impacting education. Brain drain occurs as skilled professionals flee conflict zones. Reduced investment in education affects long-term development (Siaplay and Werker, 2023). Power plants, pipelines, and energy infrastructure are vulnerable. Disruptions in energy supply affect households and businesses. Water and sanitation services may deteriorate. Communication networks may be damaged or shut down. Internet access becomes unreliable, affecting businesses and information flow. Connectivity disruptions hinder economic activities.

In summary, addressing infrastructural deficiencies, improving maintenance, and implementing effective macroeconomic policies are essential steps toward achieving sustainable economic diversification in West Africa. By enhancing connectivity, removing barriers, and investing in strategic sectors, the region can unlock its potential for diversified production and exports (Eneje and Ikpor, 2017).

Strategies for Promoting Diversification

To fully realize the potential of product diversification in implementing the BIAT framework, ECOWAS countries need to adopt comprehensive strategies that address both macroeconomic and sector-specific challenges.

✓ Policy Framework

Governments should establish policies that support industrialization and innovation. This includes providing incentives for private sector investment, facilitating access to finance, and promoting research and development. Policies should:

- encourage growth in emerging sectors beyond traditional ones (e.g., agriculture, extractive industries)
- support small and medium-sized enterprises (SMEs) for innovation
- reduce reliance on a single commodity by diversifying export products
- expand government revenue sources beyond existing sectors to catalyse broader economic transformation
- maintain price stability and avoid currency overvaluation to facilitate export diversification and;
- foster productivity-enhancing initiatives and market creation to advance diversification (Usman and Landry, 2021).

Equally important are industrial policies that implement coherent programs to widen the industrial production base. And as outlined in WACIP, the aim is to increase the industrial sector's contribution to GDP (from 6-7% to 20% by 2030) within the West African region (ECOWAS, 2010).

✓ Regional Cooperation

Enhanced regional cooperation is essential for harmonizing regulations, reducing trade barriers, and coordinating infrastructure development. ECOWAS can play a crucial role in fostering such cooperation through policy alignment and joint initiatives. Strengthening regional integration through ECOWAS is crucial for creating a larger market and facilitating trade. This includes improving border management, reducing tariffs, and implementing trade facilitation measures. Improve trade infrastructure and reduce barriers; de-compartmentalize markets and build commercial policies favouring the agricultural sector (Goita, 2015). Remember that successful diversification involves collaboration between public and private sectors, data-driven evaluation, and adaptability to specific contexts.

Furthermore, greater cooperation and coordination among West African governments, regional institutions, and international partners are essential to address common challenges and advance the objectives of the BIAT framework effectively. To ensure that the benefits of intra-regional trade are equitably distributed across society, it is crucial to promote inclusive growth and address socio-economic disparities within West African countries. The creation of special economic zones exemplifies a focused integration strategy aimed at promoting diversification and upgrading industries. Globally, approximately 5,400 such zones existed across 147 economies in 2019. However, their performance has exhibited significant variation, influenced by regional context, national policies, and the unique characteristics of individual zones. To ensure their success, it is essential to customize the design, policy framework, and strategic priorities of these zones according to specific country conditions and global economic trends (UNCTAD, 2019).

- ✓ Capacity Building

Investing in human capital is critical for supporting diversified economies. Training and education programs focused on skill development in emerging industries can enhance workforce capabilities and productivity. Capacity building is essential for enhancing the skills, institutions, and infrastructures needed to support economic growth and diversification. In West Africa, where economies often rely heavily on a limited range of exports, building capacity is crucial to foster product diversification and sustainable development (Chrysostome, Munthali and Ado, 2019; Munthali, Diawara and Zimhunga, 2019).

Key aspects of capacity building –

i. Human Capital Development
  - Education and Training: Investing in education systems and vocational training programs to equip the workforce with the skills necessary for emerging industries.
  - Entrepreneurship: Promoting entrepreneurship through training and support programs to encourage innovation and the creation of new businesses.

ii. Institutional Strengthening
  - Governance: Improving governance and regulatory frameworks to create a conducive environment for business development and investment.
  - Research and Development: Establishing and strengthening research institutions to foster innovation and the development of new products and technologies.

iii. Infrastructure Development
  - Physical Infrastructure: Developing transportation, energy, and communication infrastructure to reduce production costs and improve market access.
  - Digital Infrastructure: Enhancing digital connectivity to support modern business practices and access to global markets.

Some of the benefits of capacity building for product diversification include:

- Enhanced Competitiveness: A well-trained workforce and robust institutions can improve the competitiveness of local industries, enabling them to produce a wider range of products.
- Innovation: Strong research and development capabilities can lead to the creation of new products and services, driving diversification.
- Market Access: Improved infrastructure facilitates access to domestic and international markets, expanding opportunities for diversified products.
- Resilience: Diversified economies are more resilient to external shocks, such as fluctuations in global commodity prices.

Conclusion

The persistent dependence on commodities in West Africa significantly hampers the effective implementation of the BIAT initiative. This reliance restricts the range of tradable products available and undermines trade complementarity among member states. In contrast, enhancing product diversification emerges as a critical strategy for fostering resilience, expanding economic opportunities, and establishing a robust structural foundation for deeper integration within the BIAT framework. Consequently, diversification transcends mere developmental aspirations; it constitutes a strategic necessity for advancing regional trade policy. The region's excessive reliance on a limited array of primary commodities continues to obstruct its potential for structural transformation, industrialization, and sustained growth in intra-regional trade. Notwithstanding commendable efforts towards diversification, progress remains inconsistent across member states, with only a select few economies demonstrating tangible advancements in broadening their export portfolios.

The diversification of national products within West African nations represents a substantial opportunity for the effective realization of the BIAT initiative. A comprehensive approach to broadening their economic foundations enables ECOWAS member states to bolster their resilience against external shocks, generate new trade prospects, and promote regional integration. The strategies and case studies presented in this paper highlight the necessity of a coordinated framework for diversification, which encompasses policy development, regional collaboration, and capacity enhancement. By addressing existing challenges and harnessing the potential of economic diversification, it is possible to fundamentally transform the economic landscape of West Africa, thereby fostering sustainable development and increasing intra-African trade.

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