The Politics of Monetary Sector Cooperation among the Economic Community of West African States Members

Chibuike U. Uche

Meaningful regional integration among West African states is critical if the Economic Community of West African States (ECOWAS) is ever going to be able to tackle civil wars, economic crises, and natural disasters in the region. France's support is essential for the development of a meaningful ECOWAS. Francophone West African countries face a choice between closer ties with France—which has provided development aid, ensured currency convertibility, and guaranteed monetary stability in these francophone countries—and closer ties with Nigeria (which has done none of the above for itself, much less for its neighbors, and has a different agenda from France).
Summary findings

Uche tries to explain why monetary cooperation and integration have been difficult to achieve among member states of the Economic Community of West African States (ECOWAS). He shows how different interest groups—both members and nonmembers—have over time influenced policies and positions on various ECOWAS member states.

Unfortunately, most negotiations for cooperation among ECOWAS member states have excluded France, the most powerful stakeholder. Moreover, the francophone member states have a much better monetary cooperation and integration program, mainly because of France’s active support and participation in negotiations, mediation, and consensus building.

Unfortunately, Nigeria—which has been the main force behind bilingual regional integration in West Africa—has a different agenda from France. Its promotion of a bilingual economic grouping in West Africa was in part an attempt to reduce France’s influence in West Africa, so France is unlikely to allow economic and monetary cooperation and integration along Nigerian lines. The fact that Nigeria is still a weak state does not help.

The choice for francophone West African countries is therefore between closer ties with France—which has provided development aid, ensured currency convertibility, and guaranteed monetary stability in these francophone countries—and closer ties with Nigeria (which has done none of the above for itself, much less for its neighbors).

The increasing convergence of macroeconomic indices among ECOWAS member countries—which is essential for monetary cooperation and integration—has come about largely because of events outside of ECOWAS or because of externally (International Monetary Fund) imposed structural adjustment programs.

France’s support is essential for the development of a meaningful ECOWAS.

THE POLITICS OF MONETARY SECTOR COOPERATION
AMONG THE ECONOMIC COMMUNITY OF WEST AFRICAN
STATES MEMBERS*

by

Chibuike U Uche
Department of Banking and Finance
University of Nigeria
Enugu Campus
Nigeria

July 2001

*This research has been generously sponsored by the World Bank, under its Robert S McNamara Fellowships Scheme, and supervised by Professor F O Okafor. In the course of conducting this study, I visited the following organisations: the World Bank (Washington DC), ECOWAS Headquarters (Abuja), Bank of the Gambia (Banjul), the Central Bank of Nigeria (Abuja), Bank of Ghana (Accra), Central Bank of Guinea (Conakry), Central Bank of West African States (Dakar), ECOWAS Fund (Lome) and the Nigeria Deposit Insurance Corporation (Abuja). I am grateful to all the above organisations and indeed the World Bank resident missions in the African countries visited, for their assistance. I am also grateful to the following persons for their comments on earlier drafts of this paper: Kevin Clements, Trevor Byer, Obi Mordi, Lucie Chaumeton, R D Asante, Felix Awonaiya, Nnamdi Anammah, Ranti Osota, Kofi Kufuor and the anonymous reviewers for the World Bank.
INTRODUCTION

The treaty setting up the Economic Community of West African States (ECOWAS) was signed on May 28th 1975 in Lagos, Nigeria.¹ The aim of the Organisation is to promote co-operation and integration among member states in various fields of economic activity including monetary and financial matters.² In fact monetary

¹ The signatories to the treaty were: Benin (formerly Dahomey), Burkina Faso (Formerly Upper Volta), Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo. Cape Verde, the sixteenth state, later joined the Organisation in 1977 (Kufuor, 1994, p.60).

² Other areas of interest include: the elimination as between the member states of customs duties and other charges of equivalent effect in respect of the importation and exportation of goods; the abolition of quantitative and administrative restrictions on trade among member states; the establishment of a common customs tariff and a common commercial policy towards third world countries; the abolition as between member states of the obstacles to the free movement of persons, services and capital; the harmonisation of the agricultural policies and the promotion of common projects in the member states, notably in the fields of marketing, research and agro industrial enterprises; and the implementation of schemes for the joint development of transport, communication, energy and other infrastructural facilities as well as the evolution of a common policy in these fields (Articles 2 of the 1975 ECOWAS Treaty).
co-operation is generally seen as an important cornerstone in the integration effort ofegions (Asante, 1996, p.1). It was in pursuance of this objective that the West African
Clearing system was established in 1975. In 1987, ECOWAS’ monetary co-operation
program was adopted with the long term objective of establishing a single monetary zone
which would be characterised by the use of a common convertible currency, managed by
a common central bank and supported by a convertibility guarantee arrangement with an
appropriate external body.\(^3\) Potential benefits of such a system include: the possibilities
of reaping the benefit of economies of scale in monetary management; greater efficiency
and rational use and allocation of scarce human, material and financial resources; the
facilitation of intra regional trade and payments transactions as the use of a common
currency could effectively create a single regional market over a wide geographical area
of sixteen countries spanning 6,259,000 square kilometres with a population of over 220
million people;\(^4\) the spin off effect of the use of a single monetary zone will facilitate
greater inflow of foreign capital and stem capital flight as a result of improved credibility
of the region in international monetary and financial circles; the elimination of the current
widespread illegal speculative cross border currency trafficking activities with its price
distortions that encourage smuggling activities; and savings in the use of foreign
exchange involved in intra regional trade and payment transactions.\(^5\)

Interestingly, eight francophone countries, which are all members of ECOWAS,
with the active backing of France, already have in place a single monetary zone and are
currently enjoying some of the above benefits.\(^6\) For instance, the Central Bank of West

---

\(^3\) Member states of the obstacles to the free movement of persons, services and capital; the harmonisation of
the agricultural policies and the promotion of common projects in the member states, notably in the fields
of marketing, research and agro industrial enterprises; and the implementation of schemes for the joint
development of transport, communication, energy and other infrastructural facilities as well as the
evolution of a common policy in these fields (Articles 2 of the 1975 ECOWAS Treaty).

\(^4\) In the short run, the programme was supposed to facilitate regional trade transactions by improving and
strengthening the multilateral regional payments and clearing system of the West African Clearing House.
In the medium term, it was supposed to achieve regional currency convertibility through the more liberal
use of national currencies in intra regional trade transactions at market related exchange rates.

\(^5\) See World Bank (1998), for some general statistics on ECOWAS member countries.

\(^6\) A major potential cost of a single monetary zone is the lack of autonomy, by individual states, over the
use of key monetary policy instruments such as exchange rates and interest rates in a supra national
authority (ECOWAS, 1987).
African States (BCEAO), established in 1962, is the sole central bank for these francophone West African countries. It has the sole right of currency issue throughout the West African member states and it is responsible for the management of the monetary policy of member states. The BCEAO also defines the regulations applicable to banks and financial institutions and ensures the supervision of their activities. In this respect, the Banking Commission, created in 1990, and chaired by the Governor of the BCEAO, is responsible for the organisation and supervision of the banking system of member states. By contrast, their anglophone neighbours, at least until recently, have shown little sign of convergence and co-operation.

This paper attempts to explain why monetary co-operation and integration has been difficult to achieve among ECOWAS member states. It shows how different interest groups, both members and non-members of ECOWAS, have over time influenced policies and positions in various ECOWAS member states. Unfortunately, most negotiations for co-operation among ECOWAS member states have excluded the most powerful stakeholder- France. Furthermore, we show that the francophone member states have a much better monetary co-operation and integration programme, mainly because of the active support and participation of France in negotiations, mediation and consensus building. Unfortunately, Nigeria, which has been the main force behind regional integration along bilingual lines in West Africa, has a different agenda from France. Indeed its promotion of a bilingual economic grouping in West Africa was, in part, an attempt to reduce the influence of France in the region. France is therefore unlikely to allow economic integration along the Nigerian lines. The fact that Nigeria remains a weak state, politically and economically, does not help matters. The choice for the francophone West African countries is therefore between closer ties with France on the one hand, which have overtime provided development aid, ensured currency convertibility and guaranteed monetary stability in these francophone countries, and Nigeria on the other, which currently cannot do any of the above for itself talk less of

---

6 The countries are: Benin, Burkina Faso, Cote d’Ivoire, Mali, Senegal, Niger, Togo and Guinea Bissau.

7 In January 2001, the Anglophone ECOWAS countries (Nigeria, Ghana, Sierra Leone, Liberia and Gambia) and Guinea established a West African Monetary Institute (WAMI) with headquarters in Accra Ghana. WAMI is supposed to help its member countries to establish a common monetary zone, a common
assisting its neighbours. Under such circumstances, it is unlikely that ECOWAS will make any real progress in the near future.

ORIGINS OF MONETARY CO-OPERATION IN WEST AFRICA

Financial and monetary sector co-operation among some of the current members of the ECOWAS predates post independence economic integration efforts in the region. With the imposition of colonial rule, the various colonial governments soon put in place economic and political systems for the smooth functioning of their colonies. An essential part of this process was the institution of an orderly financial and monetary system. In British West Africa, for instance, legislations were promulgated demonetizing several of the existing currencies in an attempt to make the British currency supreme (Uche, 1999, p.670). Furthermore, the geographical proximity of the colonies created opportunities for economies of scales in monetary transactions in the region. For instance, the monetary policy management of the four British West African Colonies was administered by the West African Currency Board (WACB) which was established in 1912 and headquartered in London. This body was charged “to provide for and to control the supply of currency in the British West African Colonies, Protectorates and Trust Territories.” In practice, however, the WACB was no more than an automatic money exchange organisation issuing as much local currency as the banks wanted to buy for sterling and vice-versa. It was therefore not in a technical sense a monetary authority. Such a trans-colony organisation ensured that the Colonial Office developed similar policies with respect to the colonies in the region. Commercial interests also developed along similar lines. For instance, the first bank to be established in the region was the Bank of British West Africa (BBWA). This bank maintained offices in all four colonies where it adopted similar administrative and operational policies. With a common currency and similarity in banking institutions, one would have expected the level of co-operation and indeed integration among these colonies to be high. After all, currency convertibility problems could not in any way hamper inter colony trade in the region. The predominant financial institutions then in existence could also have facilitated such trade since they maintained

central bank and a common currency by 2003. An analysis of this recent and still unfolding development is beyond the scope of this paper.
branches in all the colonies of the region. None of these benefits were realised. This was because the development of inter colony trade was not the aim of colonisation. The colonial masters were more interested in developing these colonies for the production of raw materials for their factories and as possible markets for their finished products (Manu, 1989, p.5). In other words, the Colonial Government designed the currency board system not because they were interested in closer co-operation among their West African colonies, but because there was immense potential for it to reap economies of scale benefits from such a system. It made economic sense to administer these geographically proximate colonies through one currency board which was head-quartered in London. Inter colony integration therefore could only have been an incidental benefit of the currency board system and not its objective. This argument is further supported by the fact that the colonial Government did very little to promote the development of inter-colony infrastructure in the region. Effort was concentrated on opening up large tracts of hinterland and linking them to the coasts rather than linking colonies. It is thus not surprising that inter colony trade at the time remained insignificant while Europe remained the major trading partners of all the West African colonies (Ahmed, 1992, p.63; Diallo, 1978, pp.63-4).

All this however started to change with the attainment of political independence. Africans in general saw the WACB system as the financial hallmark of colonialism. Doing away with the system was therefore an essential part of becoming independent. In 1957, the Gold Coast (Ghana) pulled out of the WACB and established its own Central Bank and its own currency. Nigeria followed suit in 1959, Sierra Leone in 1963 and the Gambia in 1971. Without a well developed political and economic system, most of these central banks fell under immense pressure to expand their money supply without necessarily expanding their reserves. All the safeguards against such pressures included in the foundation central banking regulations of these colonies, which Britain had an input in, either disappeared or were simply not being obeyed. The result was currency inconvertibility and high inflation (Uche, 1997, p.153).

Independence also brought changes to the structure of the commercial banks then in existence. Many of the newly independent African states were suspicious of these

---

8 The colonies were: Nigeria, Gold Coast (Ghana), Sierra Leone and Gambia.
foreign banks which were seen as agents of colonisation. These banks, mainly registered and head quartered abroad, had come into existence to service the needs of the British commercial interests during colonial rule (Uche, 1998, p.240). They therefore did not aim to serve the interests of the Africans. This was interpreted in several African circles as evidence of discrimination. Newly independent African countries were therefore suspicious of many of these banks and, over time, some became indigenized. In Nigeria for instance, the Government compulsorily acquired 40 percent of the three main banks in 1973. By 1977, the Government had increased its share holding in all foreign banks to 60 percent. Such policies severely hampered the ability of these banks, which were the industry leaders, to provide effective leadership for the industry and protect the interest of the sector.

Regional integration is an example of where this policy failed. Financial institutions could have played a key role in promoting the process. Strong, independent financial institutions could be at the forefront of facilitating intra-regional trade by encouraging the various governments to harmonise banking regulations, establishing correspondent banking and even opening branches in other ECOWAS member states. In fact, even the branches opened across colonies during the colonial era were all forced to become distinct legal entities or wind up all in the spirit of indigenisation. Even after the establishment of ECOWAS, regulations in the four British West African countries still preclude financial institutions operating branches in sister countries. In Ghana, the Gambia and Nigeria, regulatory authorities prefer banks to be registered locally as distinct legal entities before they can commence operations. The effect of indigenisation and the independent banking regulations in the former British West African colonies has been to reduce the hitherto close links between financial institutions in these countries. Branches of BBWA, for instance, were now forced to become distinct legal entities with

---

9 Government at the time, argued that “Experience has shown, through history, that political independence without economic independence is but an empty shell. The validity of this statement derives from the fact that the interests of foreign private investors in the Nigerian economy cannot be expected to coincide at all times and in every respect with national aspirations. It would be naive, indeed dangerous to hope that in the process of industrial development, a set of national objectives will automatically be achieved by their mere declaration. A truly independent nation cannot allow its objectives and priorities to be distorted or frustrated by the manipulations of powerful foreign investors. It is vital, therefore, for Government to acquire and control on behalf of the Nigerian Society, the greater proportion of the productive assets of the country” (Second National Development Plan, 1970, p.289).
independent board of directors and management. Government control of these institutions thus reduced their ability to effectively champion regional co-operation in the sector.

Furthermore, the indigenization process did not aim at promoting regional integration and co-operation. For instance, the Nigerian Enterprises Promotions Decree (NEPD) of 1972 bestowed no special privileges to the citizens of other ECOWAS member countries with respect to ownership of Nigerian enterprises. In other words, citizens of Ghana, Sierra Leone, and the Gambia were also classified with Europeans as foreigners.\(^{10}\) The 1977 NEPD Decree retained this provision despite the fact that ECOWAS had come into existence.\(^{11}\) This is not to say that ECOWAS does not encourage private sector initiative as a tool for regional integration. In 1985, for instance, The Ecobank was established with the full support of ECOWAS and the Federation of West African Chambers of Commerce (Asante, 1998, p.8). It is currently owned by individuals and institutions from fourteen West African countries and is currently present in six countries. The objective of this bank include, among others, to facilitate regional transfers, payment, and trade. Despite the laudability of its objectives and support from ECOWAS, the bank enjoys no privileges and exemptions and usually faces exchange control and regulatory difficulties in its operations (Ekpe, 1997, p.169). Thus, although banks now operate in more than one of these countries, they remain distinct legal entities. Most of the advantages that can accrue from economies of scale and geographical proximity are therefore lost.

The francophone West African countries also had a somewhat similar pre-independence history when compared with their British counterparts. For most of the French colonial rule, these colonies were organised under one colonial administration as the French West African Federation. By the 1930's, France had undertaken to issue currencies in each colony that would be firmly linked to the French Franc. Many of these

\(^{10}\) The only exceptions were purely on the basis of reciprocity and residency. For instance, he NEPD Decree of 1972 defined a Nigerian citizen to include: “any person of African descent not being a citizen of Nigeria, who is a national of any country in Africa which is a member country of the Organisation of African Unity, and who continues to reside and carry on business in Nigeria, if the country of which he is a national also permits citizens of Nigeria to establish and operate businesses or enterprises in the country on the basis of reciprocity” (section 16).

\(^{11}\) See section 23.
currencies in the French African colonies were subsequently consolidated into "le franc des Colonies Francaises d'Afrique" (CFA Francs). These CFA Francs were issued by Caisse Centrale de la France d'outre mer [CCFOM, the Central Bank for Overseas France]. The objective for setting up this broad franc zone included (i) convertibility into French Francs at a fixed parity; (ii) free capital mobility throughout the zone; (iii) pooling of most foreign exchange reserves at the French treasury; (iv) the establishment of a common trade and financial policy vis a vis the rest of the world and; (v) guarantee of convertibility by France through the establishment of "operations accounts" for each colonial central bank with the French Treasury (Boughton, 1991, pp.1-2). By 1958, most of the French colonies had become autonomous within the French West African Federation. Only Guinea opted for complete political independence in the Gaullist referendum held that year.12 Even with the 1958 political developments, the degree of economic integration among these former French colonies was still close. It was only with the advent of political independence of these former French colonies (1960), when the federation broke up into independent countries, that barriers to trade and movement of factors of production began to emerge (Manu, 1989, p.4). With political independence, several attempts at forming a pan-francophone body in the region failed. This was mainly because France opposed the formation of any strong federation in the region. In 1959, for instance, France successfully blocked the establishment of a potentially strong federation comprising of Senegal, Benin (then Dahomey) and Burkina Faso (then Upper Volta). The post-independence influence of France in the region has been explained thus:

Dependent states can only with considerable sacrifice oppose the pressures of a hegemonial power- in this case the former metropole, France. To the extent that French decision-makers did not desire to seek the reappearance of these Federations, and to the extent that they provided positive inducements and reinforcements, as well as negative sanctions, with a view to influencing the outcome, their reconstitution was unlikely (Mytelka, 1974, p.299).

12 According to the Economist: "Spurred on by an ambitious trade union leader, Ahmed Sekou Toure, Guineans voted in a 1958 referendum to reject an offer by France, the colonial power, of autonomy within the French Community, leading to Independence. A furious President de Gaulle, granted immediate Independence, pulled out all French advisers, cancelled all aid and told French officials to bring back all movable equipment including, it is said, light bulbs" (The Economist, 1995, p.108).
It is thus not surprising that all the regional bodies that emerged in the post independence West African francophone zone of the 1960s were either loose affiliations or simply non functional. One such body was the broad over arching political association, *Union Africaine et Malgache* (UAM), which was established in 1961. This body was later transformed into the *Organisation Commune Africaine et Malgache* (OCAM). Membership was open to all francophone African countries which had signed cooperation agreement with France.

Another such ineffective body was the *Union douaniere des etats de l'Afrique Occidentale* (UDAO).\(^{13}\) Signatories to the Treaty, which was signed in Paris (1959), were Cote d' Ivoire, Dahomey, Upper Volta, Niger, Senegal, Mali and Mauritania. The objective of this regional body was to redistribute the customs duties which the coastal states collected on transit trade with the landlocked members (Bach, 1983, p. 608). This body however failed to achieve its objective.\(^{14}\) The interest of France at the time was not in promoting intra regional trade among francophone West African countries. Rather, it was more interested in promoting its own trade with the various francophone countries in the region. The same trade related motivations was behind the French support for the establishment of BCEAO in 1962.\(^{15}\) This eliminated currency restrictions in the trade of these francophone countries with France.

Perhaps because of their different colonial histories, it is not surprising that there was very little economic relationships, at least in the formal sense, between francophone and anglophone West African countries. Early post independence private sector attempts to promote regional co-operation in West Africa could only thrive along colonial lines. In 1963, for instance, the Chamber of Commerce of Sierra Leone and the Lagos Chamber of Commerce and Industry championed the formation of the Federation of West African Chamber of Commerce. One of the objectives of this organisation was to promote the

---

\(^{13}\) This body later metamorphosed into the Union douanierie des Etats de l' Afrique de l' Ouest (UDEAO).

\(^{14}\) Francophone leaders felt that the failure of UDEAO was mainly "because it was concerned with technicalities of customs arrangements rather that with the real issues of economic development and regional integration" (West Africa, 7th May 1973, p.594).

\(^{15}\) All the BCEAO member states belonged to the West African Monetary Union (WAMU) which was formed in the same year. BCEAO was responsible for the management of the monetary policy of the WAMU member states.
establishment of an economic community and a common market in the West African region and to encourage the speedy re-establishment of supra-national commercial institutions. Despite good intentions, this association could not break the colonial barrier and only operated within the confines of British West Africa. According to one of the key players in this private sector initiative:

Such was the formidable psychological inhibitions of the immediate post-independence era in the region, that the thought of both the French speaking (francophone) and English speaking (anglophone) countries being brought officially under the same umbrella of economic co-operation was virtually impracticable, in spite of the enormous exchange of goods and immigration that was taking place unofficially. It was common knowledge that a brisk trade went on, for instance, between Nigeria, the Republic of Benin and Togo; between Togo and Ghana; between Senegal and the Gambia; and between Sierra Leone and Liberia (Fajemirokun, 1976, p.8).

Political will on the part of the government of the member countries was important if any meaningful progress was to be made towards breaking down this barrier. Unfortunately, it has not been easy for West African countries to find the political will to help promote the development of a bilingual economic grouping in the region.

THE POLITICS OF REGIONAL CO-OPERATION

Regional integration arrangements are far more than economic ideals. Politics have been a major reason behind such integration schemes like the European Union, North Atlantic Free Trade Association (NAFTA), The Association of South East Asian Nations (ASEAN) Free Trade Area and the Southern African Development Community (SADEC) (Schiff and Winters, 1998b, p.273). It is generally believed that regional integration arrangements can serve as an important political tool in three main ways. First, they can help stabilise neighbouring countries and thus reduce the probability that emigrants and indeed bloodshed will flow across international borders.16 Secondly, such

---

16 In NAFTA, for instance, by pulling in the 90 million Mexicans into a formal arrangement, the USA is hoping to control more effectively the illegal movement of the millions of migrants across the 2000 miles common border which is unpolicable. There are demographic studies that show that by 2025, if current trends continue, the Mexican population in California could be in excess of 66 percent.
regional integration arrangements can help prevent outside threats to member nations. Finally, regional integration arrangements between previously antagonistic states can help to reduce tension and better the relationship between such countries. However, for regional integration to be effective, especially if it is promoted on political grounds, one of the member countries must be willing to subsidise the scheme, at least in the short run. Such subsidies provide the useful incentive for other weaker member states to join the scheme. Where, however, there is higher opportunity costs for participating in such politically influenced regional integration, it is unlikely that such a scheme will be successful (Schiff and Winters, 1998a, p.186). Attempts at regional integration in the West African sub region provides evidence that supports the above theory.

The poor record of economic integration in West Africa can be traced to the colonial history of the region. Before the scramble for Africa and the enforcement of artificial barriers in the region, trade flourished among the various tribes in the region. Throughout the area of what is now designated West Africa, long distance trade existed in the pre-colonial period. For instance, traders in Katsina (now Northern Nigeria) used to take donkey loads of tobacco as far as 250 miles north into what is now Niger and use the proceeds to take stock down to what is now Southern Nigeria to buy kola nuts to take North again. Unfortunately, the partitioning of Africa did not occur in any systematic way. The four main British Colonies in West Africa do not share any common boundary with each other. The advantages that can be got from geographical proximity are therefore limited. On the other hand, they all share common boundaries with former French colonies. This has led to the deterioration of even the economic relationships that existed between such territories before the imposition of colonial rule. The erection of artificial boundaries has greatly hindered trade and the promotion of different cultures in these geographically close territories has further widened the political and ideological divide.

---

17 In the case of SADEC, for instance, co-operation arose because anti apartheid front-line states wanted to protect each other from the juggernaut of racist forces of destabilisation, economic sabotage and war that were engineered from South Africa.

18 West Africa, 30th June 1975, p.738.
Even where it makes economic sense for geographically proximate countries to have closer economic ties, political considerations have prevented or, at least, limited the scope of such arrangements. Landlocked Niger Republic is an example. Its colonial heritage has made it difficult for the country to develop its economic relationship with its most viable neighbour (at least, in terms of market size): Nigeria. After the country gained autonomy from France, in 1958, it soon became a member of UDAO in 1959. As has already been mentioned, the objective of UDAO was to redistribute the customs duty, which the coastal states collected on transit trade with the landlocked members. This body was however largely inoperative throughout its lifetime. At the time, there was no immediate need for a hegemonial power to help promote regional co-operation along colonial lines. France was quite happy with the then existing system which allowed it to maximise trade with its former colonies. The CFA Franc, which had guaranteed convertibility and which was common to the francophone West African states, helped ensure the achievement of this objective. Trade and economic relationships between the anglophone and francophone West African countries did not bother France since such relationships did not go contrary to their interests.

All this however changed during the Nigerian civil war (1967-1970). The support of France for seceding Biafra was a threat to the Nigerian Government. More worrying was the fact that France used some of the francophone West African countries as a base for aiding Biafra. This was perhaps the main reason why a 1969 meeting of Nigerian ambassadors recommended that:

Lagos [should] seek to undermine OCAM’s solidarity by strengthening bilateral ties with Nigeria’s francophone neighbours and by promoting the creation of a new bilingual economic grouping in West Africa that would supplant OCAM and open new markets for Nigeria’s industrial products.\(^{19}\)

In other words, although a bilingual economic grouping could yield economic benefits for Nigeria, the main reason why the country championed the establishment of ECOWAS was to ensure its political control of the region.

France was not happy with the Nigerian agenda. With all the francophone regional groupings almost non-operational, the establishment of a new body became
viable. Under the influence of France, ideologically divergent francophone West African countries began discussing the need for a strong francophone regional body. This was the origin of Communauté economique de l' Afrique de l' ouest (CEAO). According to the then President of France - Georges Pompidou- such a francophone grouping was necessary "in order to counter-balance the heavy weight of Nigeria." Some francophone countries however opposed the establishment of such a strong pro-colonial regional body. For instance, Togo kept its distance from CEAO from the beginning. It maintained an observer status and in May 1972 joined with Nigeria to create an embryonic Common Market. Another country that resisted CEAO was Niger. Before the signing of the CEAO treaty, Major Michel Alladaye, the then foreign minister of Niger, stated his country's position:

So far, I have failed to discover what good Dahomey has derived from membership in OCAM and other such groupings. At the same time, our relations with Nigeria are based on concrete and pragmatic mutual interests. I am going to the CEAO summit in view of examining what is there for my country in this organisation, but we shall not be bound by sentimental ties, leftovers from colonial days.

It was thus not surprising that the country opted to maintain an observer status in the CEAO. The then Foreign Minister explained the country's position thus:

Since Ghana and Nigeria do not belong to the CEAO, Dahomey's membership of this organisation would not have meant very much. ... We could not become a member of a community from which Nigeria would be absent.

---


20 Ironically, the leaders of Senegal and Cote d' Ivoire (the two most powerful countries in francophone West Africa) disagreed on the nature of regional integration before the development of 1969. According to West Africa: "It was M. Houphouet-Boigny's "conversion" to the idea of CEAO which gave it the necessary momentum. In the past, he was accused of being responsible for the "balkanisation" of francophone West Africa. He was known as one who shrank from large, ambitious and often unrealistic groupings' (West Africa, 7th May 1973, p.594).

21 Quoted in West Africa (7th July, 1972, p.867).


Despite the above seemingly tough stance and the fact that the country was genuinely interested in reducing the influence of France, it was careful to balance such moves with the need to maintain cordial relations with France in order not to compromise its vital financial and technical assistance. Indeed the country was at the time displeased with the unwillingness of France to develop their Uranium deposits as rapidly as planned owing to the world over supply of uranium. Past flirtations with Nigeria and Libya however caused the country great difficulties in its relationship with France. As far as France was concerned, Niger was a strategic ally at the time. Besides France being Niger’s main European trading partner, French troops were based in Niger and the number of French “co-operants” was the highest per inhabitant of any country in the area.

Despite Niger’s geographical proximity to Nigeria, politics made it imperative that the country remained suspicious of Nigeria. The President of the country once asserted that:

"Do not be surprised if we are swallowed up by Nigeria. Our National routes are directed through Nigeria, our cattle are exported to Nigeria and many of our people come from there. If we are swallowed up it will be as much your fault for leaving us alone as it is ours."

France helped, in no small way, to fuel suspicion and discourage any close ties with Nigeria. Opportunities for France to help promote and facilitate Nigerian-Niger trade were turned down. For instance, the request by Niger that transfer from Nigeria of payments for cattle exports be made through French firms established in Nigeria in order to facilitate money transfer from the sterling to the franc zone was rejected by France.

The resistance to the influence of France by these former francophone West African countries was done with the explicit support of Nigeria. The country’s oil wealth, at the time, made it possible for it to engage in economic diplomacy in the region. It was thus in a position to donate generously and even subsidise some of the francophone states. This was important if the country was to achieve its objective of

24 West Africa (7th July 1972, p.867).
25 Ibid.
reducing the influence of France in the colony. Although Nigeria finally succeeded in establishing a bilingual regional body (1975), the utilitarian value of such a body was doubtful. In fact, the CEAO countries ensured that their right of free association among themselves was explicitly recognised in the 1975 ECOWAS treaty. Nigeria therefore failed in its bid to weaken the influence of France in the region. It is therefore not surprising that the francophone divide till date remains an impediment to economic integration in the region. In this regard, the 1992 report of the Committee of Eminent Persons, set up to review the 1975 ECOWAS Treaty, with the aim of recommending ways of revitalising the institution, explicitly stated that:

> the co-existence of various economic groupings and other inter-governmental organisations in West Africa does seriously hinder ECOWAS' effectiveness unless their activities are rationalised and consolidated within the framework of a single economic community (p.6).

This is unlikely to be acceptable to the francophone countries at least for now. If anything, they have been strengthening their regional body. In 1994, at the height of troubled times, the member countries of the CFA Franc Zone made explicit their intention to strengthen their political, economic and monetary solidarity and reaffirmed their commitment to the principles and stability that characterise the franc zone. In fact, their integration process has been reinforced with the establishment of the West African Economic and Monetary Union (WAEMU) in 1994.

Their regional grouping is currently the strongest and most disciplined body in the region (Macedo, 1985, p.1). Since 1962, as has already been mentioned, they have had a common central bank which has the sole right of currency issue throughout the

---

27 See Article 59.


29 "The transformation in 1994 of the francophone monetary union (WAMU) into an economic and monetary union (WAEMU) caused quite a stir among the other ECOWAS countries. The reason given by WAEMU for deepening this co-operation arrangement was to have control over other national policies that affect the common monetary policy, and also enhance the contribution that a monetary union makes to the economic performance of the individual countries. Since ECOWAS has the same WAEMU objectives and
West African member states and is responsible for the management of the monetary policies of member countries. In 1990, the Organisation established a Banking Commission responsible for the organisation and supervision of the banking system of member states. So advanced are they in the process of regional integration that some scholars are beginning to suggest that the French regional integration should be expanded to absorb anglophone countries (see Soludo, 1995). Economically, this makes sense. Politically, however, it may be difficult for this to happen. Furthermore, even if francophone and anglophone countries bury their political differences, there is no guaranty that France will continue to subsidise such a system. After all there may be no incentive for them to continue to do so. In fact the French support for the current system is already waning and it may be no coincidence that this is happening at the time Nigeria’s economy is in shambles and the country is fast loosing its reputation as a possible regional power. Despite the advances made by these former French colonies in the arena of monetary integration, intra CFA Franc Zone trade remains abysmal. For instance, between 1990 and 1993, the intra CFA Franc Zone exports for Benin, Burkina Faso, Cote d’ Ivoire, Mali, Niger, Senegal and Togo averaged: 8%, 8.5%, 17.6%, 3%, 3.3%, 14% and 6.9% while their imports averaged 5.5%, 24.5%, 1.7%, 22.9%, 12.9%, 9.7% and 11.7% respectively (Clement et al, 1996, p.40). The high intra CFA Franc Zone import levels recorded by Mali and Burkina Faso, is likely due to their landlocked geographical location.

Monetary integration in the region has been promoted by France not because it is interested in intra CFA Franc Zone trade. Rather France is more interested in the economies of scale benefits that accrues to it by centralising her control of these former West African colonies. For France, it makes better economic and political sense to negotiate with a central body rather than with several independent states. France is also not interested in promoting intra ECOWAS trade. The question however is whether allowing France to dictate policies for them is really against the interest of the francophone countries? It is difficult to proffer a simple answer to this question. There already had programmes in the new areas, it seemed ECOWAS was not thought to be capable of moving fast enough, because of lack of commitment” (ECOWAS, 1997, p.9).

are advantages and disadvantages with respect to the relationship of WEAMU countries with France. Despite the above type of criticisms, it is the relationship of these WEAMU countries with France that is responsible for monetary stability and currency convertibility in the region. The involvement of France has ensured sound monetary management and prevented fiscal policy indiscipline in the region. From 1948 to 1994, the CFA Franc maintained fixed exchange rate arrangement with the French Franc. Even when it was devalued in 1994, it was also this relationship that ensured the smooth management of the economic fallout of such devaluation. For instance France undertook to: cancel a substantial portion of the debt of each country in the franc zone (F 25 Billion); contribute significantly to funding the countries financing requirement under the IMF adjustment programs and; establish a special development fund designed to improve the living conditions of the people residing in disadvantaged urban areas.31

Furthermore, France has also been the single largest supplier of aid to the region. For instance, between 1993 and 1994, over 75% of the bilateral aid to CFA Franc countries came from France (Clement et al, 1996, p.59). Unfortunately Nigeria is currently classified as one of the thirteen poorest countries in the world. It is therefore clearly not in a position to subsidise any other country. In other words, it is unable to provide the bait necessary for regional allegiance. The importance of a hegemon and the need to consult all stakeholders cannot be over emphasised if regional integration is to yield any meaningful result. The CFA Franc Zone has gained enormous international respectability mainly because of the support of France. Such support is the main reason why the CFA Franc is convertible and indeed has shown remarkable stability since it came into existence. To ensure convertibility, member countries of the zone deposit 65 percent of their gross foreign exchange reserves with the French treasury. France, in turn, provides an unlimited amount of overdraft to these countries thus guaranteeing the convertibility of the CFA Franc (Hernandez-Cata et al, 1998, p.1).

Such fixed parity relationships are however not always beneficial. In the 1980s, for instance, substantial appreciation of the French Franc with respect to other international currencies made exports of the CFA Franc Zone countries less competitive. This coincided with the substantial and prolonged drops in the world market prices of

31 See IMF Survey (Special Supplement, March 21 1994, p.20).
these countries' principal exports like coffee, cocoa, cotton and petroleum. The result was a deterioration of the terms of trade of these countries by almost 50 percent between 1985 and 1993 (IMF Survey Supplement, March 21, 1994, p. 1). Remarkably, no one country could on its own solve the problem. All the internal adjustment measures adopted proved ineffective. In fact, it was not until France, the hegemon of the system and one of its main stakeholders, got involved that progress was made. An agreement to devalue the conversion rate of the CFA Franc to the French Franc by 50 percent was signed by all the countries on January 1994. All the countries were able to sign the treaty, despite its harsh economic and social implications, mainly because France lent its support. This helped cushion the adjustment process.

It is such support that makes it difficult for ECOWAS sponsored regional integration programs to succeed. It will be difficult for the francophone countries to abandon such time tested relationship with France for ECOWAS. Even the European integration which one would have expected could alter the ability of France to sustain its subsidies is now unlikely to change this relationship. In a recent meeting of the finance ministers of France and the countries of the CFA Franc Zone, it was agreed that the cooperation agreement linking France and the CFA Franc Zone will be maintained and that France will continue to guarantee the convertibility of the CFA franc zone (Hernandez-Cata et al, 1998, p. 7). In fact, the European integration will further benefit the CFA franc zone. It will, for instance, enhance the ability of these francophone African states to attract investments from other member countries of the European Union. This is partly due to the elimination of foreign exchange risks between the Euro and the CFA franc.

ECOWAS MONETARY INTEGRATION PROGRAM

The idea of monetary integration in the West African sub-region pre-dates the establishment of ECOWAS. In 1972, the Association of African Central Banks set up a Study Group to examine trade and monetary relations in the West African sub-region. The report argued that the problems of intra-sub-regional trade payments arise not so much from the insufficiency of existing facilities for effecting payments as from the long delays encountered in receiving payments. Such delays arise mainly because of balance
of trade difficulties and scarcity of foreign exchange in member states. The report thus concluded that:

the establishment of some type of payments arrangements that would facilitate prompt receipt of export proceeds by exporters would stimulate intra-sub-regional trade.\footnote{Quoted in Association of African Central Banks (1973, p.1).}

In 1973, the Association of African Central Banks set up another Study Group to recommend guidelines for the establishment of a clearing arrangement between member states of the West African sub-region.\footnote{Specifically, this Study Group was requested to advise on: the unit of account to be adopted for agreed transactions which should form the basis of the clearing arrangement; the transactions that should form the basis of the arrangements; the period of settlement under the arrangements; the system of clearing to be adopted and the determination of the central bank that should effect clearing; the currency in which settlement should be effected; the possibility of encouraging other states which are not members of the sub-regional committee to participate in the clearing arrangement.} Their report recommended the following operational modalities: membership of the clearing house should be made optional; payments for transactions among BCEAO member countries, which already have an agreement, should not be channelled through WACH; all intra sub-regional transactions, except inter-Government grants and loans, should be channelled through WACH; payments for all goods, except re-exports\footnote{Export goods that originated in a completely finished state from outside the West African sub region.} should be eligible for settlement through WACH; all the accounting transactions of the clearing house be conducted in a West African Unit of Account (WAUA) which is to be fixed to the International Monetary Fund (IMF) Special Drawing Right at a given parity; the settlement period for all debts under WACH should be one month and; each country should extend a global interim credit line (based on a percentage of total intra sub-regional trade) to the rest of the sub region as a whole. WACH was subsequently established in 1975 mainly along the lines of the above recommendations. The body had the following objectives: (a) to promote the use of the currencies of the members of the Clearing House for Sub-Regional trade and other transactions; (b) to bring about economies in the use of foreign reserves of the members of the Clearing House; (c) to encourage the members of the clearing house to
liberalise trade among their respective countries and; (d) to promote monetary co-operation and consultation among members of the clearing house.

Operationally, the payment mechanism of WACH was similar to the clearing transaction by national central banks of cheques submitted by commercial banks, with the clearing house acting like a national central bank and the clearing banks acting like commercial banks. According to WACH:

…the arrangement envisages that all transactions will go through commercial and other banks as usual. The procedure is the commercial bank which is effecting a customer’s payment order in favour of another individual in another country in the sub-region delivers the order to its central bank in its own currency. The Central Bank in question notifies the Clearing House and at the same time, sends the order to the Central Bank in the beneficiary’s country. On receiving the notification, the Clearing House credits the Central Bank in the beneficiary’s country and debits that of the country in which the sender resides. Similarly, the Central Bank in the beneficiary’s country, on receiving the order, credits the beneficiary’s commercial bank which will in the final analysis effect payment to the beneficiary.\(^{35}\)

At the time WACH was introduced, a clearing house system made sense in the sub region. There were 10 currencies, most of which were inconvertible, being used among the 16 member states of ECOWAS.\(^{36}\) These currencies fell under two main monetary zones: the West African Sterling Area and the Franc Zone. The West African Sterling Area comprised of Gambia, Sierra Leone, Ghana and Nigeria while the Franc Zone comprised of Mauritania, Mali, Burkina Faso, Cote d’Ivoire, Togo, and Benin. At least three of the countries in the region did not belong to any of these two monetary regimes already mentioned (Guinea, Liberia and Guinea Bissau).

Within the franc zone, trade in goods and services were generally free from controls and transfers of payments from such transactions were also not restricted. There was also free movement of capital within the area. Trade with non francophone West African states were however subject to varied degrees of restrictions. Capital movement

\(^{35}\) Quoted in Osagie (1979, p.227).

\(^{36}\) Senegal, Benin, Niger, Togo, Cote d’Ivoire, Burkina Faso (CFA Franc) Nigeria (Pounds, later Naira), Ghana (Cedis), Gambia (Dalasi), Guinea (Sily, later Guinean Franc) Mali (Malian Franc), Sierra Leone (the Leone), Liberia (Liberain Dollars), Guinea Bissau (Pesso, later joined the CFA Franc Zone), Cape Verde (Escudo) and Mauritania (Quguiya).
to such countries were also restricted. In the Sterling Area, however, the situation was
different. Every country had its own central bank, issued its own currency and followed
independent monetary, exchange and credit policies. Although sometime loose
arrangements between central banks of these countries existed, especially for the
settlement of certain government accounts, like embassy accounts, there was generally no
co-ordination of policies (Association of African Central Banks, 1973, p.4). With the
exception of the Gambia, there were also quantitative restrictions on trade in goods and
services as well as capital movement within the West African Sterling Area. A further
impediment to regional trade in the sub region as a whole was the fact that there was no
international exchange market. Intra regional transactions were usually routed through
London and Paris. Such practice involves dealing in two foreign currencies. For instance,
a trader in Sierra Leone who imports goods from Togo, will have to first of all convert his
Leone to Sterling, then convert the Sterling to Francs and finally to CFA Francs. Such
traders were therefore faced with multiple exchange rate risks and excessive transaction

As there is no international exchange market within the West African Sub-
Region, virtually all transfers between countries of the Franc Zone and those
of the former Sterling Area are rooted mainly through the correspondent
banks in London and Paris. Remittance charges for these transactions range
between \( \frac{1}{2} \% \) and 1 \%. This is additional to cable and postage charges. In
order to avoid these sort of charges, some countries within West Africa have
resorted to bilateral agreements (WACH, Undated, p.5).

At the time, bilateral agreements existed between Togo and Mali, Nigeria and Niger,
Ghana and Mali; Upper Volta (now Burkina Faso), Niger, Togo and Dahomey (now
Benin); Sierra Leone and Guinea and Gambia and Senegal. Though such bilateral
agreements help countries to save scarce foreign exchange and have the potentials to
increase trade between participating countries, they however have their limitations. For
instance, such agreements usually do not lead to the optimisation of trade mainly because
of the usually limited market scope. It was mainly because of the above limitations that

---

37 See also Mladek (1964a and 1964b) for the evolution and histories of these African currencies.
38 Many of these arrangements were never operational.
WACH was established. In practice however, the introduction of WACH did very little to promote trade in the sub region. This was perhaps because none of the WACH member countries was willing to subsidise the system. Nigeria, with its oil wealth at the time, was clearly in a position to do this. It however failed to do so.

The issue of the types of transactions to be passed through the WACH mechanism is one example. The 1973 Study Group on Guidelines for the establishment of a clearing house examined this issue and concluded that:

the objectives of a clearing arrangement are better served if as few exceptions as possible are made as regards transactions that should be channelled through the clearing arrangement. For this reason, it is suggested that payments for all intra-sub-regional transactions (trade and non-trade transactions) should pass through the clearing system, except inter-Government grants and loans (p.15).

Despite this recommendation, Nigeria refused, from the beginning, to channel trade in its major foreign exchange earner-oil- through the clearing house mechanism. Despite the fact that WACH had similar objectives with ECOWAS, Nigeria refused to make this important sacrifice. This can be explained by the 1975 change of Government in Nigeria. The previous Government of General Gowon, with the explicit objective of undermining the influence of France in the region and aided by its enormous oil resources, could afford to be financially generous to its regional neighbours. Indeed some francophone West African countries benefited from Gowon's generosity. For instance, in 1975, Nigeria agreed to supply oil on soft credit terms to Cote d’Ivoire. With the change of government in July 1975 and the subsequent decline in Nigeria's oil wealth, scholars began to question the wisdom in the enormous investments the country was making in ECOWAS, which had no obvious immediate benefits. In this respect, it was asserted that:

The question is: What does Nigeria really want in return? The promise of an expanded market for Nigeria’s manufactured goods cannot be an overriding motivation at this point because the country’s own level of industrialisation is low and its internal market is large and by no means exhausted. The idea that through ECOWAS, Nigeria can undermine the political and economic interest of France in West Africa is an illusion. French influence must first be undermined in the francophone West African countries before ECOWAS can

---

take off the ground. The other argument that Nigeria can use ECOWAS as a rational outlet for its own external aid to sister African countries may have had some validity when Nigeria had some “cash” from crude oil sales to spare. Now that the country is in itself borrowing in international money market, the altruistic argument cannot be sustained.\(^40\)

Without any willing and able hegemonial power in the region, it was not surprising that intra regional trade only recorded minimal increases and the achievement of the objective of monetary and financial integration, across colonial lines, is still far from reality.\(^41\)

**IMPEDIMENTS TO INTRA REGIONAL TRADE**

From the preceding section, it can be deduced that a major impediment to intra ECOWAS trade is the problem of currency inconvertibility. Prior to the establishment of WACH, most of the ten currencies then in use in the region were inconvertible. Indeed, this was one of the main reasons for the establishment of the WACH. Unfortunately, as has already been argued, WACH did little to alleviate the problem of currency inconvertibility. The body was therefore not very successful in promoting intra regional trade.

Another impediment to intra ECOWAS trade is the lack of political will by member countries to implement regional agreements. Although numerous protocols and agreements have been signed by ECOWAS member countries since the establishment of ECOWAS, most of them are at best redundant. Trade liberalisation is one of the areas that have received immense attention, at least on paper. The origins of the trade liberalisation scheme is embedded in the ECOWAS Treaty of 1975 which stated thus:

> the Community shall by stages ensure: (a) the elimination as between Member States of customs duties and other charges of equivalent effects in respect of the importation and exportation of goods; (b) the abolition of quantitative and administrative restrictions on trade among the member state

\(^40\) Daily Times (May 6 1978, p.19).

\(^41\) “The biggest challenge in West Africa now is the emergence of an undisputed leader of West African monetary and financial integration. There are many potential candidates but none has yet clearly emerged to lead the rest of the region in the march towards a better West Africa into the 21st Century” (Ououmoudou, 1997, p.8).
(and); (c) the establishment of a common customs tariff and a common commercial policy towards third countries (Article 2).

Complete trade liberalisation was to take place within fifteen years from the definitive entry into force of the 1975 ECOWAS Treaty (article 12). In spite of the numerous agreements and efforts made to encourage the expansion of regional trade through this scheme, not much trade has been undertaken under the scheme (Kufuor, 1995, p.240). This is mainly because all the relevant documents such as the Certificates of Origin and the harmonised customs documents have not been universally introduced into the system. It has been noted that:

The most immediate obstacles to intra-ECOWAS trade are however the administrative hurdles and barriers. It is not enough to remove tariff and non-tariff barriers. It is essential to ensure that the administrative procedures necessary for the utilisation of any trade liberalisation scheme are functioning efficiently. So far, this has not really been the case. The fact that Certificate of Origin remains a rare commodity, even after the TLS have commenced, bears eloquent testimony to this. This obstacle is the most fundamental in the sense that its existence shows either a lack of commitment towards liberalisation, and/or disorganisation within the relevant bodies. The problem is also the simplest to solve (Omorogbe, 1992, p.25).

It is therefore difficult to see how a country that cannot deal with simple administrative obstacles can deal with more serious obstacles to regional trade and integration. The result is that ECOWAS States are now generally known for their lack of political will to implement their own decisions. Protocols and resolutions are not the only things that ECOWAS member states do not respect. Even institutions set up to facilitate the integration process have suffered similar fate. An example is the Fund for Co-operation, Compensation and Development of the Economic Community of West African States (ECOWAS Fund).42

---

42 The Fund, established in 1976, has the following objectives: to provide compensation and other forms of assistance to member states which have suffered losses as a result of the application of the provisions of the ECOWAS treaty; to provide compensation to member states which have suffered losses as a result of the location of ECOWAS enterprises; to provide grants for financing national or community research and development activities; grant loans for feasibility studies and development projects in member states; guarantee foreign investments made in member states in respect of enterprises established in pursuance of the provisions of the ECOWAS Treaty on the harmonisation of industrial policies; provide means to facilitate the sustained mobilisation of internal and external financial resources for the member states of ECOWAS and; to promote development projects in the less developed member states of ECOWAS (see
Despite the noble objectives of the Fund, some member states have consistently failed to meet their obligations to it. There is a widespread lack of political will among member states to make integration work. A substantial part of the Fund’s share capital remains outstanding to date while some member states have a poor loan repayment record.\textsuperscript{43} All these have contributed to the negative image of the fund and to its inability to perform creditably. According to a former Managing Director of the Fund:

ECOWAS FUND has, for a number of years, been struggling hard in order to survive. For that reason, it has regrettably failed to make the expected impact on the economies of the Member States of the Community. As a financial institution, the Fund’s stock in trade is its operating capital. But…due mainly to persistent budget deficits since 1989, the institution’s operating capital stock has fallen to a precariously low level….The implication…is that the FUND is expected to depend solely on external donors/lenders for resources to finance its lending operations. However,…as evidenced by reports relating to arrears in respect of capital contributions and loan repayments in particular, donors have not felt comfortable to do business with the FUND. Inspite of this handicap, approaches have been made to several prospective donors, but they have invariably recoiled after scrutinising our administrative structures and our financial statements. I am sorry to say that some have even been forthright in voicing their doubts about the commitment of ECOWAS Member States to their own institution (Apea, 1997, p.4).

Another popular reason for the unsubstantial level of intra ECOWAS trade is the low level of industrialisation in the region. A consequence of this is the lack of complementarity in the production profiles of the countries in the region. For instance, most ECOWAS member states are producers of primary goods. The scope for exchanging such goods with say, manufactured goods, is therefore limited in the region. It is however important to note that despite its recurrence in the literature, the importance attached to this factor may be over exaggerated. For instance, trade flow studies have identified 256 product groups with trade values of over $100,000 which are officially

\footnotesize{\textsuperscript{43} As at 1998, two ECOWAS member states had yet to pay up the first tranche of the capital called up since 1977. With regards to the second tranche of capital declared due for payment in 1987, only five member states have honoured all their obligations. Four member states have not made any payment while seven member states have made only partial payments (Barthelemy, 1998, pp.9-10).}
being both imported into the region and exported from it. The value of these imports in 1987 was $8 billion or over half of the region’s world imports. More recently, a programme of demand and supply surveys was undertaken for some manufactured products like fertilisers, paper products, sawn timber and pharmaceutical products. This survey identified producers in these product groups and found that there was substantial export surplus and under utilised productive capacity which could be developed for regional markets. It also identified potential importers of these same products from within the region (ECOWAS, 1996, pp.2-3).

Another hindrance to intra ECOWAS trade is the poor communication and transportation system in the region (ECOWAS, 1996, p.4; Omorogbe, 1992, p.24). Perhaps because of colonial history, transportation and communication within the region is very tedious and expensive. It is cheaper and easier to send a Courier message from Lagos to London than from Lagos to Senegal. This is so since it is usually faster to fly to London than to fly to Dakar. Thus it is not unusual for intra ECOWAS mails to transit in Europe. In terms of cost, for individual travel, a Lagos London ticket is in most cases by far cheaper than a Lagos Dakar ticket. In fact, only Ghana Airways and Air Afrique currently fly the Lagos Dakar route. Ghana Airways, which is usually more convenient, flies only two times a week and stops over in Accra, Abidjan, Conakry and Banjul. Road networks, which would have made ECOWAS travel cheaper, are not yet well developed. Even where they are, corruption, bureaucracy and criminal activities along some of the borders escalate the cost in real terms.44

Another factor that has impeded regional trade is the high level of poverty and social deprivation in the region. Poverty continues to ensure the paucity of infrastructure, which is key to the promotion of intra regional trade. Most of the ECOWAS countries are too consumed in trying to improve their indigent existence to start thinking about regional integration. Most of the ECOWAS member countries have a per capita income of less that $500, high level of illiteracy, low life expectancy (World Bank, 1998). These conditions have made them overtly depend on external aid and loans for their survival.

44 I am relying on my recent experience travelling across West Africa for most of this information.
They are therefore not in a strong position to pursue regional interests especially when it goes against international interests.45

A further impediment to regional trade is the near absence of a conducive environment for legitimate trade to take place. Corruption and nepotism, widespread in several of these countries, continue to constitute a stumbling block to the development of legitimate trade. The level of corruption and criminal activities that take place along some of the borders, especially land borders, is indescribable. On some of the borders, criminal gangs operate alongside corrupt security agents. The Nigerian Benin (Seme) Border is a classic example. Customs men and security agents, on both sides of the border, extort money and steal from transiting persons. Transiting goods are also subject to the same fate. There is little distinction between security men and criminals. Alongside these ‘legitimate’ borders is also a thriving illegal crossings market. In fact, the hassles of formal crossing continue to encourage more persons to take the illegal route. It may be cheaper to smuggle duty free goods across such borders than to transport them through the so called official borders.46 It is generally believed that corruption in the Nigerian Society has been reflected in the activities of its borders. The corruption in the Benin side of the Seme border is rather unfortunate. They claim that they are reciprocating what their kit and kin suffer in the hands of Nigerian customs official. Such claims make sense especially when you consider the fact that the land border crossing from Benin to Togo is hassle free once you pay the flat bribe of 300 CFA francs for those with valid travel documents and 500 CFA Francs for those without valid travel documents. In other words, Nigeria’s inability to tackle corruption at home is being exported abroad.

The introduction of WACH did little to alleviate most of the above problems. There were also some WACH related operational problems that impeded trade. These included the late settlement of WACH claims by some of the member central banks and stringent payment procedures imposed by some member states for WACH transactions. The results of these drawbacks have been to discourage WACH transactions. The

45 It has been suggested that: “the lower the level of a member’s economy, the greater the vulnerability to external political and economic influences which may be detrimental to ECOWAS plans and goals” (Daily Times, May 6 1978, p.19).

46 In the course of this research the author visited 6 West Africa countries and crossed the land borders from Nigeria to Benin, Benin to Togo and from Togo to Ghana.
fortunes of WACH started to change for the worse in the mid 1980s, when an increasing number of ECOWAS member states started adopting various forms of Structural Adjustment Programmes. This led to the relaxation of exchange controls, the adoption of market determined exchange rates and increased access to foreign exchange. This in turn led to a drastic decline in the level of transactions channelled through WACH mainly because banks were no longer obliged to channel all intra regional transactions through WACH. There was thus a drastic decline in WACH transactions. For instance, the level of clearing transactions channelled through WACH fell from a peak of WAUA 224 million (1984) to WAUA 15 million (1990) (Asante, 1995, p.2). The 1989/90 WACH Annual Report and Statement of Accounts asserted that:

During the financial year under review transactions channelled through the West African Clearing House (WACH) declined for the sixth consecutive year. All efforts to arrest the decline in transactions have so far proved abortive. Anything short of a structural transformation of the member countries economies cannot ensure the recovery and growth of intra-sub-regional trade in West Africa which is a sine-qua-non for the growth of WACH transactions (p.5).

It therefore became obvious that it was only a matter of time before WACH became redundant and irrelevant. In 1991, ECOWAS set up a study group to examine the possibility of redefining the objectives and activities of WACH with the view of adapting it to the economic trends in the sub region. In October 1991 the committee recommended that in the long run, WACH should be transformed into a specialised agency of ECOWAS. This decision was adopted by the Governors in February 1992, and approved by ECOWAS Heads of State in July 1993. This culminated in the establishment of the West African Monetary Agency (WAMA) in 1994. WAMA was mandated to: promote monetary co-operation and payment issues within the context of the economic and monetary integration of the region; initiate and promote policies and programmes for achieving monetary integration; facilitate the harmonisation and co-ordination of macro-

47 In detail, the Study Group was required to: "examine the causes of the decline in the level of transactions channelled through the WACH mechanism and make recommendations in relation to the following options: maintaining the status quo of WACH and undertaking measures aimed at reversing the decline; broadening the scope of activities of WACH; merging WACH with ECOWAS; converting WACH into a specialised agency of ECOWAS."
economic policies and structural adjustment programmes of member states and; ensure
the establishment of a single monetary zone (Asante, 1995, p.5).

In reality, ECOWAS member states decided to go for deeper monetary integration
(single monetary zone) despite the fact that they failed to successfully run a much simpler
scheme (clearing house). Despite the replacement of WACH with WAMA, most of the
fundamental problems that had frustrated the activities of WACH remain ever present.
What ECOWAS did was simply to sweep them under the carpet. The major problem is
that most ECOWAS member states are weak in infrastructure, economically and
politically. They represent some of the poorest states in the world. Among themselves,
they have done little to promote integration. This is mainly because the short term costs
of looking inwards could be high with little or no attendant short term benefits. For
instance, should regional co-operation go contrary to the interest of non regional member
countries, some of these ECOWAS member states run the risk of losing development aid
and debt relief programmes on which their economies depend. On the other hand there is
no ECOWAS member country that is strong enough to act as a hegemon to its brother
states. The case of the francophone West African countries is an example. As has been
mentioned above, these countries continue to receive immense financial support, in the
form of economic and technical aid, from France. The majority of their trade is also with
France. Any ECOWAS based integration process that aims at promoting intra ECOWAS
trade is likely to do so at the expense of France. The question therefore will be whether
these francophone countries are willing to push a regional agenda at the expense of their
individual relationships with France?

EXTERNAL INFLUENCES AND ECOWAS INTEGRATION

Interestingly, most of the positive landmarks in regional integration in the region
have come from outside ECOWAS. From the beginning, the establishment of ECOWAS
could not have been possible if Britain had not joined the European Union (1973).
Subsequently, the EEC decided not to renew the Yaounde II Convention, a co-operation
agreement between EEC and the francophone Etats africains et malgache associes
(EAMA), independent of any agreement with ‘associable’ states of the Commonwealth. This led to the adoption of the Lome Convention in February 1975. According to Bach:

The adoption of the Lome convention in February 1975 was a decisive step towards the formation of E.C.O.W.A.S., since it unified the legal framework within which all the member-states would maintain their extra-African economic relations. For the francophone states, E.C.O.W.A.S. no longer represented a challenge to their ties with France. In several respects, the birth of E.C.O.W.A.S. may be considered as a West African expression of the changing relationship established with Europe under the Lome Convention (1983, p.610).

Even now, the little progress that has been made by member states towards economic integration has been made mainly because of externally (International Monetary Fund) imposed structural adjustment programmes. Admittedly, ECOWAS has in place a comprehensive programme to ensure economic convergence among its member states. The ECOWAS Monetary Co-operation Programme, for instance, agreed on the following forms of macro economic indicators: the maintenance of an annual exchange rate variability of not more than 10 percent and the elimination of payment restrictions on current account transactions; the maintenance of a single digit inflation rate by member countries; reduction in budget deficit / GDP ratios to 3 percent and; the maintenance of a 10 percent ceiling on central bank financing of Government budget deficit (WAMA, 1997, p.11). These parameters are however similar to the structural adjustment principles of the IMF.

From available statistics (1997 figures), modest progress has been made on most of the above key elements of the ECOWAS Monetary Co-operation Programme. On the issue of the exchange rate variability and the elimination of payment restrictions on current account transactions, for instance, Gambia, Nigeria, Guinea and Sierra Leone

48 This Convention, signed on February 28th 1975 in Lome, Togo, is an economic co-operation arrangement between forty six states, made up practically of the whole of independent Africa south of the Sahara, six Caribbean countries and three groups of Pacific Islands, on one side, and the nine EEC countries on the other side. Of the forty six African, Caribbean and Pacific (ACP) countries, nineteen were before the Convention associated with the Common Market until January 1975 (under the Yaounde Convention). Twenty one of these ACP countries were Commonwealth member states. They were brought into the agreement because of the admission of Britain into the EEC. The remaining six countries were African countries. They were invited into the agreement because their economies were comparable with those of the other ACP countries (Olofin, 1977, pp.66-67).
maintained relatively stable rates within the stipulated 10 percent margin of variability. Exchange rate variability in the Gambia and Guinea has remained stable since the mid-1980s and early 1990s respectively. In 1997, Ghana, WAEMU Group, Mauritania and Cape Verde were outside the 10 percent margin of variability. Since 1992, Ghana has remained outside the margins while the BCEAO group had a relatively stable exchange rate variability until 1994 when there was a 50 percent devaluation of the CFA Franc. Mauritania and Cape Verde have overall achieved a reasonable degree of monetary policy stability.

On the elimination of payment restrictions on current account transactions, only the BCEAO countries, Ghana, Gambia, Guinea and Sierra Leone have completely liberalised their current account transaction and are signatories to the IMF Articles VIII Agreement. Cape Verde, Mauritania and Nigeria have also completely liberalised their current account transactions though they are yet to sign up to the IMF Articles VIII. Liberia remains the only country in the region that has a fixed exchange rate regime with a large black market premium (WAMA, 1998, p.7).

The second form of macro economic indicators agreed by ECOWAS is the reduction in the inflation rate of member countries to between 1 and 9 percent. Here again, the community has recorded modest progress towards the achievement of the above goal. At the end of 1997, only Ghana, Guinea Bissau, and Sierra Leone had not achieved this objective. The third form of macro economic convergence indicator agreed by ECOWAS is the reduction in budget deficit / GDP ratios to 3 percent. By the end of 1997, only the Gambia and Sierra Leone had not attained this requirement. The last macro economic convergence criteria agreed by ECOWAS was the imposition of a 10 percent ceiling on central bank financing of deficits by member countries. So far, only Cape Verde and Ghana have enacted legislations to incorporate such limits. In practice, however, Benin Republic, Cape Verde, Gambia, Ghana Guinea Bissau, Mali and Mauritania all achieved the ECOWAS recommendation in 1997. However, it is important

49 In Nigeria, this relative stability, which is a recent phenomenon, is already endangered. The practice, by the current civilian government, of monetising the extra budgetary revenue from windfall oil prices, has negatively impacted on the exchange rate variability. The unending civil war in Sierra Leone is also threatening its recently acquired exchange rate stability.

50 The statistics for Liberia are unavailable.

51 The 1997 statistics for Liberia and Nigeria is unavailable
to note that most central banks observe their existing internal statutory requirements which are usually different and not of the same basis as that of the convergence criteria approved by ECOWAS. There is thus a need to get countries to legislate the ECOWAS requirement without further delay (WAMA, 1997, p.10).

Unfortunately, as has already been mentioned, this modest progress towards monetary integration in the West African sub region has not necessarily been at the initiative of ECOWAS. Externally imposed SAPs have been more relevant in the restructuring of these African economies. The downside of such external influences is that they usually have other consequences. In this respect, it has been noted that:

Unfortunately, these IMF sponsored Structural Adjustment Programmes pursued by member states have been the most effective driving force towards the harmonisation of the economies within the sub-region. The objectives of the SAPs, although quite compatible with those of the ECOWAS Monetary Co-operation Programme, have a global orientation, rather than the integration of the sub-region. They therefore orient the economies of the sub-region towards the major world economies who have been our major traditional trading partners (WAMA, 1998, p.1).

In other words, although some may claim that the ECOWAS member states are beginning to put in place the various macro economic policies necessary for sustainable regional integration, these countries indeed have no control over these developments. As already mentioned, the problem with IMF induced SAPs is that regional integration is not one of their objectives. Instead, SAPs are usually market oriented and generally discourage subsidies. In other words, countries are encouraged to seek out the best deals in their economic transactions. If geographical proximity offers any advantages in trade and commerce, such should be taken advantage of. Where they don’t, as sometimes is the case in West Africa, countries are encouraged to seek for better deals outside their geographical area. The idea of using subsidies to build up markets goes contrary to the rules of SAPs.

Even on the political front, there has also been progress. Again, this has largely been made possible by an external stakeholder- France. The frosty and suspicious relationship between France and Nigeria, a major stumbling block towards effective regional integration in West Africa, appears to be changing for the better. To the pleasure
of France, Nigeria recently adopted the French language as its second official language. This has led to enormous economic and political support, for Nigeria, from France. It was therefore not surprising when the French Ambassador to Nigeria-Monsieur Philippe Peltier-recently asserted that:

The French President [Monsieur Jacque Chirac] has a new vision of Africa in the 21st century, in which Nigeria will play the principal role.52

Perhaps Nigeria has finally realised that France is indeed a major stakeholder in the region. Decisions on integration that exclude France are bound to achieve little results. With such realisation and changes in attitude, there is hope for meaningful progress to be made in the integration process of the region.

CONCLUSION

Despite much talk of regional integration and much legislation to that effect, within ECOWAS, whatever sustainable progress towards integration has not come from the efforts of ECOWAS. Rather, it has been externally induced, mainly from the IMF imposed Economic Adjustment Programs. Although ECOWAS have now adopted many of IMF style adjustment programmes, many ECOWAS member states obey them not because of ECOWAS. Unfortunately, regional integration is not the objective of such IMF imposed programmes. The question therefore is whether monetary sector integration is possible along ECOWAS lines and if so, who will be the benefactors? Under the current circumstances, it is difficult to see how monetary integration will be possible along ECOWAS lines. There is clearly no hegemonial power within the region to subsidise the process. Nigeria has now proved beyond reasonable doubt that it is unable to do this. There is also no incentive for the francophone West African countries to forfeit the benefits of their relationship with France. The emergence of the European Monetary Union will further enhance these benefits. Furthermore, these poor countries of the sub region have little to teach each other in terms of skilled labour acquisition and industrialisation. Inadequate infrastructure has also added to the difficulty of deriving advantages from the geographical proximity of ECOWAS member states.
Despite the above limitations, the need for more meaningful regional integration in West Africa is now even more critical. This is especially so given the generally deteriorating economic and political situation in the region. Indeed most global actors, led by the current Secretary General of the United Nations, have now come to appreciate the need to bolster the development and conflict management capabilities of the region. A strong and virile ECOWAS will, for instance, be able to provide the platform necessary to effectively tackle civil wars, economic crisis and natural disasters in the region. This will greatly reduce the human, material and political costs of such crisis to stakeholder western countries and institutions. There is thus the need for all stakeholders in the region to rethink their strategy with respect to the creation of a strong and virile regional organisation in West Africa.

REFERENCES


52 Quoted in ThisDay (July 19th 1999, p.23).


Diálo, Y. (1978), France and the West African Monetary Union: “A Frank Appraisal of the Franc Zone”, *Thesis Submitted in Partial Fulfilment of the Requirements for the Degree of Master of Science in International Banking and Finance, St Mary’s Graduate School of Business*.

Economic Community of West African States (No Date), *ECOWAS: Achievements, Challenges and Future Prospects* (Lagos, Economic Community of West African States).

Economic Community of West African States (1976), *ECOWAS: Questions and Answers* (Lagos, Economic Community of West African States).

Economic Community of West African States (Various), Protocols Annexed to the Treaty of ECOWAS (Lagos, Economic Community of West African States).


*IMF Survey: A publication of the International Monetary Fund* (Various Issues).


*New Nigerian Newspaper* (Various Dates).

*Nigerian Enterprises Promotion Decree* (Number 4) of 1972.

*Nigerian Enterprises Promotion Decree* (Number 3) of 1977.


The Guardian [NigeriaO Newspaper (Various Dates).


ThisDay [Nigeria] Newspaper (Various Dates).


West Africa (Various Issues).
<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
<th>Date</th>
<th>Contact for paper</th>
</tr>
</thead>
<tbody>
<tr>
<td>WPS2628 Monopoly Power and Distribution in Fragmented Markets: The Case of Groundwater</td>
<td>Hanan G. Jacoby, Rinku Murgai, Saeed Ur Rehman</td>
<td>June 2001</td>
<td>P. Kokila 33716</td>
</tr>
<tr>
<td>WPS2630 Parallel Imports of Pharmaceutical Products in the European Union</td>
<td>Mattias Ganslandt</td>
<td>July 2001</td>
<td>L. Tabada 36896</td>
</tr>
<tr>
<td>WPS2631 Pension Reform in Hungary: A Preliminary Assessment</td>
<td>Roberta Rocha, Dimitri Vittas</td>
<td>July 2001</td>
<td>L. Gross 37030</td>
</tr>
<tr>
<td>WPS2632 Human Capital and Growth: The Recovered Role of Education Systems</td>
<td>Sébastien Dessus</td>
<td>July 2001</td>
<td>K. Mazo 39744</td>
</tr>
<tr>
<td>WPS2634 Chile’s Regional Arrangements and the Free Trade Agreement of the Americas: The Importance of Market Access</td>
<td>Glenn W. Harrison, Thomas F. Rutherford, David G. Tarr</td>
<td>July 2001</td>
<td>L. Tabada 36896</td>
</tr>
<tr>
<td>WPS2637 Technical Efficiency Gains from Port Reform: The Potential for Yardstick Competition in Mexico</td>
<td>Antonio Estache, Marianela González, Lourdes Trujillo</td>
<td>July 2001</td>
<td>G. Chenet-Smith 36370</td>
</tr>
<tr>
<td>WPS2638 On Financing Global and International Public Goods</td>
<td>Todd Sandler</td>
<td>July 2001</td>
<td>S. Kpundeh</td>
</tr>
<tr>
<td>WPS2639 Public Policy toward Nongovernmental Organizations in Developing Countries</td>
<td>William Jack</td>
<td>July 2001</td>
<td>H. Siadovich 37698</td>
</tr>
<tr>
<td>WPS2640 Where Has All the Foreign Investment Gone in Russia?</td>
<td>Harry G. Broadman, Francesca Recanatini</td>
<td>July 2001</td>
<td>S. Craig 33160</td>
</tr>
<tr>
<td>Title</td>
<td>Author</td>
<td>Date</td>
<td>Contact for paper</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-------------------------</td>
<td>---------</td>
<td>-------------------</td>
</tr>
<tr>
<td>WPS2641 Is Russia Restructuring? New Evidence on Job Creation and Destruction</td>
<td>Harry G. Broadman, Francesca Recanatini</td>
<td>July 2001</td>
<td>S. Craig 33160</td>
</tr>
<tr>
<td>WPS2642 Does the Exchange Rate Regime Affect Macroeconomic Performance? Evidence from Transition Economies</td>
<td>Ilker Domac, Kyles Peters, Yevgeny Yuzefovich</td>
<td>July 2001</td>
<td>A. Carcani 30241</td>
</tr>
<tr>
<td>WPS2643 Dollarization and Semi-Dollarization in Ecuador</td>
<td>Paul Beckerman</td>
<td>July 2001</td>
<td>P. Holt 37707</td>
</tr>
<tr>
<td>WPS2644 Local Institutions, Poverty, and Household Welfare in Bolivia</td>
<td>Christian Grootaert, Deepa Narayan</td>
<td>July 2001</td>
<td>G. Ochieng 31123</td>
</tr>
<tr>
<td>WPS2645 Inequality Convergence</td>
<td>Martin Ravallion</td>
<td>July 2001</td>
<td>P. Sader 33902</td>
</tr>
<tr>
<td>WPS2646 Foreign Direct Investment and Integration into Global Production and Distribution Networks: The Case of Poland</td>
<td>Bartomiej Kaminski, Beata K. Smarzynska</td>
<td>July 2001</td>
<td>L. Tabada 36896</td>
</tr>
</tbody>
</table>