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Towards A Monetary Union in the Economic Community of West African States (ECOWAS): Prospects and Challenges"

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DECLARATION

I declare that this Research Report is my own work. It is submitted to the Faculty of Humanities for the Award of a Master of Arts Degree in International Relations at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any Degree or examination at any other University.

_____ _____

David Ebung Kode **Date**

(Student No 414488p)

DEDICATION

To Emmanuel Ebung Kode

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I hereby claim responsibility for any errors in judgments or misinterpretations found in this work.

ABSTRACT

This study aims at highlighting the politics of international cooperation with respect to monetary integration in West Africa. Monetary integration was envisaged in the Economic Community of West African States (ECOWAS) when the organization was formed in 1975. Two decades after its formation, it was realized by member states that limited success had been achieved as far as the objectives of the organization were concerned. As a result, the ECOWAS Treaty was revised and significant decisions were made in 1993, and the call for a monetary union was reiterated. Factors which could have worked against the formation of a monetary union prior to 1993 changed in favour of monetary cooperation. The adoption of the Euro in the European Union and more especially by France, weakened the symbolic link of the CFA Franc zone to France, and to an extent reduced the French stigma, which had hitherto discouraged Anglophone countries from participating in an expanded monetary union with their Francophone counterparts. The democratic transition of Nigeria and the accession to power of a new leader who has shown commitment to regional integration, improved cooperation arrangements among ECOWAS states in working towards the formalization of a monetary union. The transformation from the Organization of African Unity (OAU) to the African Union (AU) and its strategy of creating a common African currency as well as the emergence of the New Partnership for Africa's Development (NEPAD) provided extra motivations for African states to show more commitment towards integration. Based on the above factors, several positive steps have been taken towards the formalization of a monetary union in the community. The West African Monetary Zone (WAMZ) was realized in 2000 and more importantly, the West African Monetary Institute (WAMI) was created and started operating in the same year. The Institute was created to prepare the groundwork for the creation of the West African Central Bank. The above mentioned factors increased the prospects of forming a monetary union in the community but several challenges still remain. First there is the problem of the asymmetric nature of the economies in the region. Secondly, political instability is a major factor that militates against the formation of such a union. Domestic political instability in Nigeria, which is heightened by ethnic and religious differences as well as the asymmetric nature of her economy in relation to those of other states in the region, makes it difficult for a monetary union to revolve around her. This research project is

centered on Treaties, statistical analysis, theories and concepts and literature from economic and financial institutions. We conclude by stating that the analysis here reflects the situation on the ground and provide lessons to member states of the community, prospects for monetary integration would be further improved if member states work coherently to overcome such challenges.

List of Abbreviations

AEC	African Economic Community
ADB	African Development Bank
AU	African Union
BCEAO	*Banque Centrale de Etats de L'Afrique de L'Ouest*
BEAC	*Banque de Etats de L'Afrique Centrale*
BBC	Basket Bread and Crawl
BWACB	British West African Currency Board
CEAO	*Communaute` Economique de L'Afrique du L'Ouest*
CEMAC	*Communaute` Economique et Monitaire de L'Afrique Centrale*
CFA	*Communaute` Financiere Africaine*
CMA	Common Monetary Area
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EMCP	ECOWAS Monetary Cooperation Programme
EMU	European Monetary Union
ECB	European Central Bank
ECOMOG	ECOWAS Ceasefire and Monitoring Group
ERM	Exchange Rate Mechanism
EU	European Union
FAEF	*Federation de L'Afrique de Equatorial Francaise*
FF	French Franc
GDP	Gross Domestic Product
IMF	International Monetary Fund
LURD	Liberia United For Reconciliation and Democracy
MFI	Micro Finance Institution
MRU	Manu River Union
MPCI	*Mouvement Patriotique de La Cote d'Ivoire*
NEPAD	New Partnership For Africa's Development
NGO	Non Governmental Organization
NAFTA	North American Free Trade Area

OAU	Organization of African Unity
OECD	Organization For Economic Cooperation and Development
OHADA	*Organisation de L' harmonization en Afrique de Droit de Affaires*
PTA	Preferential Trade Agreement
REC	Regional Economic Community
RPT	*Rassemblement Populaire du Togo*
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
UDAO	*Union Douanniere de L'Afrique de L'Ouest*
UEMOA	*Union Economique et Monitaire de L'Ouest Afrique*
UDE	*Union Douanniere Equatorial*
UDEAC	*Union Douanniere et Economique de L' Afrique Centrale*
UMOA	*Union Monitaire Ouest Africaine*
UK	United Kingdom
WAMA	West African Monetary Agency
WAMI	West African Monetary Institute
WABA	West African Bankers Association
WACB	West African Central Bank
WAUA	West African Unit of Account
WAMZ	West African Monetary Zone