

European Monetary Union in Africa

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National Europe Centre Paper No. 29

**Paper presented to conference on
The European Union in International Affairs,
National Europe Centre, Australian National University,
3-4 July, 2002**

Introduction

European enlargement generally refers to the inclusion of new states into the European Union's Treaty area. This article considers instead the enlargement of Economic and Monetary Union into Africa. We know that no part of Africa is in the EU, though Morocco has sought to join, and the island of Mayotte belongs to an EU member state (France) and uses the euro. But the EU's single currency area is not identical with its monetary area. This article is about EMU beyond the EU itself, and in particular about the monetary shadow European colonial history has cast over western and central Africa. Here as well as in the Comoros islands three local currencies were long in the monetary area of France, and are now but local expressions of the euro. That was why in the late 1990s the impending introduction of the single European currency aroused considerable interest and some anxiety in those African countries that faced possible inclusion in the EU's monetary union. The question was whether the EC institutions should take over responsibly for monetary policy in the former French African overseas territories, although they are not in the EU now, and were never part of the EEC before independence. Alternatively, experts in Europe and in Africa considered whether France should maintain its monetary guarantee, and if so, whether the CFA franc should be decoupled from the future European currency. Finally, the CFA franc zones could simply disappear. Today currencies in the fourteen Francophone states plus those of two of Portugal's former African overseas countries are simply local variants of the euro.

This paper briefly puts this strange situation in its historical context, considering what has changed and what has not with the changeover from the franc CFA pegged to the French franc, to a franc CFA pegged to the euro. I shall then ask, together with mainly African economists, political analysts and politicians, whether Africa's proxy euro zone should expand to take in perhaps the entire sub Saharan continent, which has a privileged trade and aid relationship with the EU. Alternatively, do Africans and Europeans see a European monetary zone in Africa as an opportunity or as an anachronistic burden? Do Africans within the zone want to remain tied to the EU to a degree that exists in no other sovereign states outside Europe? Two of the three CFA franc cum euro monetary zones have expanded both in nature and in geographical extent, having become economic unions and taken in two ex Portuguese dependencies. Do these now wish to form even larger units and turn themselves into regional common markets, with a common currency that in reality is not a currency at all, but only one or several local variants of the euro? How do other African states regard such ambitions? The answers to these questions require first a brief historical comment.

The Colonial Era

In the 1930s and 40s European federalists had raised the question of a currency union with dependent territories. Among these the British Federal Union, a popular movement between 1938 and 1942, asked its Colonial Committee to consider this difficult issue. This proposed that a European Federation should give collective financial aid to backward overseas areas and that there should be free trade from the beginning between them and the Federation. However it decided to shelve the matter of a currency

union between the member states and their dependencies.ⁱ The question of what to do with colonial currencies in the event of a pan - European union also exercised French theorists after the 1940 defeat. War was forging the new Europe, was opening up the possibility of a European co-operative venture in Africa; a planned pan-European economy with supranational organisations, one customs area, and a common currency would efficiently develop overseas and continental resources. The Reichsmark would be the currency of Africa too, irrespective of which European nation was the administrative power in a particular area.ⁱⁱ

After the Second World War the French renamed their Empire the French Union. This remained a unified economic zone with a common external customs duty, and in 1948 it became officially a monetary union as well. The *zone franc* area had six local currencies all pegged to the French *franc*. The overseas departments used the French franc, except Reunion. Algeria and Tunisia had their own currency, while Morocco had another. The African overseas territories used the *franc colonial français d'Afrique*, used also in Reunion and Madagascar, while the Pacific territories used the *franc colonial français du Pacifique*. Finally, the states of Indochina had the piastre, again pegged to the French *franc* though at a different rate.

The franc zone arrangements gave France access to food, Algerian petrol and uranium from Gabon without exchange rate fluctuations or charges, saving substantial sums in foreign exchange at a time when Europe was in debt to the United States. In the early 1950s France (supported to a lesser extent by Belgium) was pursuing a twin foreign policy aim: to achieve European co-operation or integration without jeopardising rule over the territories in Africa.ⁱⁱⁱ How to reconcile the projected European bloc and the new French-African bloc filled the pages of many a journal and book at the time. The currency question in the colonies was part of the extensive discussions concerning the Constitution of a European Political Community, into which the mainly African empires could be gradually absorbed. French negotiators considered a co-ordinated monetary policy and a single currency essential on a pan European level. Otherwise they feared that the burden of developing the dependencies franc would necessitate a constant devaluation of the franc relative to the German, Italian and Belgian currencies. Not only would the French State have to cover the risks of depreciation, weakening the economy, but an unstable franc would also discourage European investments in her overseas possessions. A single European monetary policy for the whole would protect the French franc, and prevent the need to devalue against the other national currencies.^{iv} The creation of a European Bank to co-ordinate overseas investment funds would be essential.^v

France's prospective European partners were not convinced of the merits of a Eurafrikan monetary union, or of any links at all. Tensions over political and economic ties with the African colonies bedevilled negotiations into the mid 1950s. When the six Foreign Ministers of the European Coal and Steel Community met to finalise the details of the Common Market in Venice in May 1956, the French delegation announced that the mainly African overseas territories had to be included or associated with it as a condition of entry. The Belgians and Italians agreed, but the German and Dutch delegations

balked at financing what they saw as French imperial ambitions.^{vi} By then the Council of Europe was flagging and the European Political Community was defunct. Caution dictated that the EEC should have limited aims, at least in the short term. A common currency was therefore no longer considered even among the metropolitan areas of the Six, let alone in the French Union and the Italian and Belgian dependencies.

The 1957 Rome Treaty had a *Declaration of Intent* inviting independent states still bound to France by the economic, financial and monetary obligations of the franc zone to negotiate economic conventions with the EEC. By the early 1960s nearly all the French African colonies had become sovereign states, though these thirteen continued to peg their currencies to the French franc. The zone franc was now entirely African. The 1962 Evian Accords formalising Algerian independence maintained that country in the zone for the time being, although it now had its own central bank. Tunisia was also still a member, though it did not use the franc CFA.

On the other hand the Six reached a compromise providing aid to the ‘associated overseas territories,’ (the Yaoundé Agreement, later known as Lomé and most recently the Cotonou Agreement). The trade and aid agreement set up between the EEC and the associated Eighteen forbade exclusive trade between France and its former colonies. The contributions from the other five EEC member states eased the burden upon France, amounting to an indirect subsidy to the French economy. France also was able to transfer the cost of the subsidies it paid for some African products to the Common Market. At the same time the aid agreement did not interfere with France’s franc zone. France retained control of fiscal and monetary policies in its African colonies, alongside the collective aid agreement covering a wider area. Of these eighteen, the thirteen in the franc zone area did not all call their currency the franc CFA; there was also the Malagasy franc and the Comoros franc.

Independence, the EEC and the franc zone

French African leaders meeting at Cotonou in 1958 announced their intention to seek independence from France and to establish horizontal contacts with their already independent neighbours, the ultimate aim being a United States of Africa. Independence was to mark a swift end to French and Common Market aid^{vii}. In the early 1960s the leaders of the by then sovereign African states declared that though they had been used to French assistance they would no longer sacrifice the long-term advantages of free trade and industrial autonomy for narrow short-term gains. As the United Nations Economic Commission for Africa cautioned in 1960, ‘association with the EEC can easily tend to perpetuate economic dependency and thus turn out to be a long term disadvantage to the country concerned.’^{viii}

Gold Coast Prime Minister and then Ghana President Kwame Nkrumah, a leading Pan Africanist, welcomed European Development Fund projects in associated African states but added that the EEC existed to promote the welfare of its own members; hence the EDF did not and could never promote industrialisation in Africa. The EDF was in his view a continuation of collective colonialism, which

discouraged horizontal trade among African states. Piece meal vertical relationships with the EEC forced African nations to undercut one another's prices and divided them into two camps. European aid funding would never compensate for low commodity prices and the loss of freedom to negotiate. Its subsidies came from the profits made out of forcing down commodity prices. In addition, the funds dedicated to projects returned mostly to the home countries by way of expatriates' salaries, banking charges, and so on. Association would divide and weaken African states. Even if all joined the EEC arrangement, they could never dictate the terms of association. African states should instead unite as an African Common Market, and together decide freely where best to trade and secure capital. If the Europeans could combine to secure the best trade conditions, then so too could Africans. Association with a European preferential market would not and could not mean better export conditions. Europe would have to buy primary products from them in any case, while France blocked attempts to develop industries in competition with hers, whether the African states were associated or not. Finally, Nkrumah thought there should be a common currency to end dependency on European currency zones.^{ix} Nkrumah, Guinea President Sekou Touré and Mali President Modibo Keita subsequently led discussions on an African Common Market, the nucleus of an eventual Union of African States.^x In the late Sixties Congolese minister Alphonse Nguvulu suggested a Central African economic zone of the Congo and Zambia, whose strategic materials would then free the entire continent from aid dependence.^{xi}

Apart from Mali and Guinea the francophone bloc did not heed Nkrumah's advice. Instead the colonial acronym *CFA* was recycled. It refers both to the zone as a whole and to each of the two main sub-zones. These African monetary unions are now two distinct but inter related economic spaces, each with its own central bank - the West African Economic and Monetary Union (UEMOA), and the Central African Economic and Monetary Community (CEMAC). UEMOA (Benin, Burkina Faso, Mali, Niger, Senegal, Togo, Côte d'Ivoire and latecomer Guinea Bissau) uses the *franc de la Communauté financière africaine* issued by the Central Bank of West African States or BEAC. CEMAC (Cameroon, Central African Republic, Congo Republic, Chad, Equatorial Guinea and Gabon) has its Bank of Central African States or BCEAO which issues the *franc de la Co-opération financière en Afrique centrale*. The Comoros franc, used in the former French colony near the East African coast, was previously pegged to the French *franc* at 75 to one, but is now also in the euro zone. (As we have seen, one of its islands, Mayotte, still a French though non-EU dependency, is now in the euro currency union, unlike the rest of the Comoros). Each of the three currencies looks distinctive, but with no fluctuation possible between them they are not recognised as foreign currencies, and are but local variants of one pseudo currency.

France did derive some economic advantages from the arrangement as well as political, military and cultural influence. The GDP of the entire CFA franc zone is roughly equivalent to that of Nigeria, but it provides security for French, and now European investors, as profits can be repatriated without risk. The CFA franc zone was and still is a stable export market for French machines, medicines, food and wine and luxury goods. In addition, though the mechanism differs in each case, France can block any

monetary decision in the CFA zones, thanks to its representatives on the Administrative Council of each. The costs to France of monetary union with the African states have been justified as an indirect form of development aid, as France makes up for any negative balance of payments.^{xii}

For the African economies the franc zone has both advantages and disadvantages. The currencies' dependence on the French Treasury ensures long-term stability and encourages inward investment. Within the two main monetary unions there was already policy convergence due to the free movement of currency; now that they have integrated further, there are regular consultations between member states.^{xiii} The zones have no foreign exchange restrictions and no balance of payments deficits because Paris underwrites their imports. Travellers to Europe or the USA can afford the living expenses there thanks to their relatively strong currency (even after the devaluation), unlike their impoverished African neighbours. As the educated are much better paid than their counterparts in Zaire, Nigeria or Ghana, they can also afford the unrestricted imported, mainly French luxuries. While African critics argue that the artificial currency maintains the pro-French urban elites in a comfortable lifestyle, apologists reply that this encourages them to stay. In contrast, Ghana and Nigeria's successive devaluations have accelerated the brain drain.^{xiv}

On the other hand the massive capital flight from the zone to Paris or Switzerland far exceeds the amount of foreign aid and investment received. The poor suffer from the lack of investment in infrastructure. While France makes up for any shortfall, countries cannot obtain credit or interest on the best available terms. The in theory unrestricted access to the European market has confronted duties imposed on manufactured goods and foods in competition with domestic producers. In addition, high interest rates attract some inward investment but prevent people from starting small and medium businesses owing to the costs of borrowing money. As prices are high relative to neighbouring countries', CFA countries rarely export to southern markets, cannot expand their manufacturing industries and instead have to export cheap primary products to Europe. Trade within the CFA zone is minimal - in the West African sector internal trade never exceeds ten per cent of total exports, while in the Central African sector it has declined to less than one per cent - so does not offset dependency on vertical trade. Trade between the CFA zone and the wider regions is partly due to product duplication, but there is also a substantial exodus of CFA francs as locals can buy their cars or consumer goods much cheaper in Nigeria. As the Anglophone countries cannot afford to import European goods, they have to learn self-sufficiency. Nigerian goods are then smuggled into the CFA zone^{xv}. Dependency on France is total, as however bad the prices for cocoa or cotton, the French Treasury still holds 65% of the zone's receipts. This means that compensatory aid France gives is in reality only a partial restitution of their own export earnings.

By the mid -1980s the CFA francs were overvalued relative to other African currencies. A strong CFA franc made imports cheaper, an important advantage since about 60% of exchanges are with the EU. It also made the zone more attractive to French businesses and banks. Expatriate businesses and banks were responsible for massive capital repatriation back to France. Competitive devaluations in

neighbouring Nigeria and Ghana flooded the zone with cheap products, encouraged cross border smuggling and black market transactions, and reduced tax revenue. Paris made good the balance of payments deficits, which in 1987 occurred for the first time in both the west and central parts of the zone. Paris and local elites and businesses for a decade resisted International Monetary Fund pressure to devalue the three African pseudo-currencies. Finally in early 1994 the French government halved the value of the CFA franc from 50 to 100 to one, without prior consultation of the zone franc governments. The French President announced the decision that January at the Franco-African Summit in Dakar, to the consternation of the African Presidents present. They agreed to sign when Paris promised to indemnify their state and private sectors and to cancel debts. In return they agreed to reform their banking sector.

Critics point out that devaluation was supposed to facilitate exports of coffee, cocoa and cotton. But as the prices of these are expressed in dollars, and world prices have fallen, devaluation neither encouraged local investment and production nor encouraged regional trade with countries outside the zone^{xvi}. The confidence local populations felt their local currencies declined after the 1994 devaluation. Countries have had to increase exports of primary products to earn the same as before, damaging the environment. Imports not only of luxuries but also of machinery and equipment cost half as much again, with salaries hardly rising. The fixed parity against the euro continues to prevent the adjustments of local currencies necessary to increase exports^{xvii}.

In the early 1990s it had seemed the two main sub zones might split up as the oil rich Central African component devalued unilaterally, ending the franc zone altogether^{xviii}. This crisis averted, in 1991 it had been agreed to turn the eight member West African Monetary Union gradually into a common market with a central economic authority, harmonised tax and other policies, the West African Monetary and Economic Union (UEMOA). The Central African Monetary Union became the Central African Economic and Monetary Union, CEMAC. By 1993 a timid start had been made, with so called Convergence Councils whose brief was to harmonise budgetary policy within the zone. However the 1994 devaluation shattered the feeling of security engendered by a stable and strong currency in a zone largely free of the crises suffered in other African states. The changeover to the euro has not affected these developments.

The CFA Zone becomes a euro zone

The 1992 Treaty on European Union set out the conditions of a monetary union. Though it lacked any mention of the CFA franc zone, it Treaty has a Protocol guaranteeing France the right after EMU to determine the exchange rate of France's other postcolonial franc, the Pacific franc, against the *euro*.^{xix}. The Pacific franc is used in three Pacific island groups still belonging to France. Officials from traditionally anti-colonial Germany and the Netherlands, joined now by new arrivals Austria, had not objected to taking on indirect responsibility for the Pacific franc. However the CFA franc is much more extensively used than its sister franc in the South Pacific, though the fifteen countries concerned use only 3% of total French currency in circulation. Finance ministers from the three member states

saw less reason to tie the euro to sovereign countries, countries that did not satisfy the famous convergence criteria as set out in the TEU. As a result, while the Pacific franc changeover required only a Protocol, the change over to a euro zone in had to overcome many legal and political obstacles.

There were historical and cultural factors at work also. That Brussels should have accepted an accident of history left over from the colonial era was predictable, given the long history of French pressure upon her partners whenever her European and imperial ambitions appeared to conflict. Equally predictable was the reluctance of the Germans, the Dutch, and new EU members the Austrians to inherit an arrangement that predated the Rome Treaties and could weaken the euro's international standing.

The uncertainty and apprehension in the franc zone as EMU approached was nothing new. Already in the late 1980s the governments and banks of the zone franc countries had been concerned about the possible effects of the Single European Act. Their anxiety increased after the 1994 devaluation, when there was speculation over whether France would allow the CFA currency to float freely after itself joining EMU, or alternatively devalue it once more before the parities of member state currencies were fixed. Others noted that if France remained the guarantor of the CFA francs, and if France had difficulty meeting the European Central Bank's strict budgetary constraints, then she might suspend or end her support of her African currencies, and investment there would dry up. In the event that Brussels took over the parity agreement, if budgetary shortfalls occurred in Europe, Brussels too could devalue the CFA euro unilaterally.^{xx} Either way, there was concern that the budgetary constraints imposed on EMU members would apply also to the franc CFA zone. These would be difficult, if not impossible, to comply with, as the 1994 devaluation had increased external debt.

In sum, there were three possible scenarios, assuming that no decoupling: in the first, the Europeans could interpret the French arrangement with the zone as a budgetary agreement as allowed in TEU Article 109, in which case little would change. France would remain responsible, even though there would no longer be a French franc. The CFA francs would be the African euro in effect, but without the ECB, ECOFIN or the EMU ministers having any legal say. They might have the right to give an opinion, but could not block any decision the French Treasury might make. In that case, too, EMU constraints would not apply to Africa. Secondly, the CFA franc could be tied to the euro as part of a monetary agreement, which would give the EC institutions (or the ECB) the right to set conditions, rather than France alone. Third, there might be no formal arrangement at all, though the CFA franc would be indexed to the euro. In that case Paris might retain the right to change the parity of the two, without even consulting the other EMU member states. The Treaty allowed for some ambiguity with respect to the adoption or modification of exchange rates with areas outside EMU. The fact that the CFA franc was freely convertible into French francs, soon euros, meant that the zone could be interpreted as an internal EC matter, in which case the ECB is involved, as it controls the application of the single monetary policy. On the other hand the agreement between the French Treasury and the zone's three regional central banks could be seen as external to EMU, since the convertibility of the

CFA francs do not constitute a monetary agreement; neither the French nor the European central bank is involved. Therefore there is no requirement to secure the agreement of all member states. The TEU's Article 239 adds that the EMU provisions will not affect previously contracted monetary obligations. France also cited Article 109 of the Treaty on European Union, which permits European states to enter agreements with other states.

The ambiguity created by these two Articles provided the loophole the French authorities needed. The Council of the European Union (meeting as ECOFIN) would have preferred to have a say in the matter, and if necessary have the right to veto the arrangement^{xxi}. After protracted negotiations the ECOFIN ministers decided on the 23rd November 1998 that Article 109 applied. The monetary agreement in its view did not affect the stability of the value of the euro. The French authorities could continue to honour the Agreements signed with the African and Comoros Central Banks. The French treasury could guarantee the convertibility of the CFA francs into euros as it had previously into metropolitan francs, provided that the Council, the ECB and EMU ministers approved proposed changes in the future, such as the addition of new countries. Nor was the CFA arrangement to set a precedent for France or any other member state; it was a historical legacy from colonial days that united Europe had now agreed to take over, albeit in a minimalist fashion^{xxii}. France remains free to change the parity of its anachronistically named francs against the euro, merely informing the ECB and the Council beforehand. The French Treasury retains the right to decide the value of the franc CFA against the *euro*, merely having to inform the other EU member states *post hoc*. It is certainly curious that the term *franc* has disappeared in France while subsisting in the former colonies.

In an atmosphere of uncertainty owing to the reluctance of German, Austrian and Dutch financial authorities to permit any laxity in the monetary area, the French pledged at the 1996 Franco-African Summit at Ouagadougou to maintain the relation between the zone's central banks and the French Treasury. President Chirac reassured his African counterparts that EMU would not entail France sharing the decision - making power over its monetary policy there. France would continue to guarantee the convertibility of the CFA francs. Since the French Central Bank, part of the ECB, had never been involved in the longstanding arrangement, there was no reason to involve the ECB now. The French Treasury would continue its budgetary and financial support.^{xxiii}

In late 1998 the Economics and Finance Ministers of the *zone franc* were told by their French and Austrian counterparts in Paris that the transfer to the *euro* would not mean decoupling of the currencies.^{xxiv} While it was now clear that European Monetary Union did not require the dismantling of the franc zone, uncertainty remained over the parity between the two. The then fourteen African countries concerned knew that there would be a simple changeover to a fixed parity, as a result of a European Central Bank decision of July 1998. However they feared the rate would mean another devaluation, given that the EU and France were both reducing their aid^{xxv}. The Minister of Finance and the Economy, Dominique Strauss Kahn, was quick to assure African leaders that the changeover to the euro would not entail another devaluation, since the African economies were healthy^{xxvi}.

That October the European Parliament's Committee on Development and ACP Countries heard experts explain the likely impact of the euro on ACP countries, and on the CFA zone in particular. Benefits of pegging the CFA franc to the euro included direct access to EU markets, low risk investment in the zone, and increased co-operation between the Western and Central parts of it. The committee's concerns were addressed: France's funding of overdrafts would not affect the euro, as the GDP of the zone was less than .5% of that of the EU, and the ECB was not involved. However the new CFA/euro zone would create distortions in the regions, as investors would choose countries sharing the same currency, to the detriment of those outside. Therefore ACP aid too would favour CFA zone countries rather than others. MEPs were concerned too that other former colonial powers might seek to copy the franc CFA model. Spain might set up a stable monetary regime with Latin America, or the UK with Nigeria, guaranteeing an overdraft facility and pegging their currency to the pound or the peseta. The MEPs were told that the Council had specifically banned regarding the CFA zone as a precedent. The French case was a historical anomaly; in future no bilateral exchange rate agreement would be allowed.^{xxvii}

In 1999 therefore a vast euro monetary zone was born in Africa. Though originally a legacy of French colonial history, it included two former Portuguese colonies. Guinea-Bissau joined the franc zone in 1998. Cape Verde signed a four-year agreement with Portugal that same year, giving the Cape Verde escudo a fixed rate against the Portuguese escudo, now the euro. Portugal nonetheless still guarantees the transferability and convertibility of the local currency in the same way France guarantees the three currencies for which it is responsible^{xxviii}.

The euro's value against other currencies is set both by world demand and by the European Central Bank in Frankfurt, and the value of the three African currencies fluctuates along with it. Fears that a strong euro might make the franc zone yet more uncompetitive have been eased by the fall in the euro's value against the dollar, though it has not made the zone's exports to its neighbours competitive. The weakened euro has stimulated exports to the euro currency zone though it has been less successful in attracting inward investment. The finance or economics ministers of the Francophone African fifteen continue to meet their French counterparts twice yearly, and the value of the currency remains the prerogative of Paris. Power remains in French hands, perpetuating the colonial relationship albeit with the consent of the countries concerned.^{xxix} Their consent is based certainly on grateful recognition of France's role as their advocate in European and international forums.^{xxx}

Now that the UEOMA and CEMAC zones have become directly linked to the European Union, the President of the European Parliament made an official visit to the UEOMA authorities in Ouagadougou, Burkina Faso, on the occasion of its seventh anniversary in January 2001. Nicole Fontaine compared the integration of UEMOA to that of the EU and conveyed the Parliament's support for the Economic Partnership Agreement with the EU, along the lines of the EU-ACP Cotonou Agreement had between the European Parliament and UEOMOA. The European Parliament was ready

to assist the UEOMOA's endeavour to create its own regional Parliament. The European Union, she said, would continue to cooperate with Africa^{xxx1}.

In sum, the CFA zone monetary co-operation has been 'Europeanised;' parity is now fixed against the euro instead of the franc. However decision making rests with Paris, and the biennial ministerial meetings between France and the African Fifteen that make up the three CFA zones continue; there are no meetings between the (at present) EMU Twelve and the African Fifteen, and Brussels has not taken over the financial obligation to cover deficits or convert reserves.

Africa's euro zone and the African ACP group

We have seen that the EEC Six set up an economic partnership with 18 former colonies, the Associated African States and Madagascar. By 1975 this included past French, Portuguese, British and Spanish colonies and became the Association of African, Caribbean and Pacific states or ACP. This is the EU's major aid programme and now covers all of sub Saharan Africa. With the small territories in the Caribbean and the Pacific, by 2002 there were 78 or 79 members (Cuba being half in). Sixty-one of them are outside the euro zones. As this originally pan-European colonial arrangement persists alongside the monetary vestiges of French colonialism, the franc zones, the question is how far the excluded states are disadvantaged. In recent years there has been speculation that the smaller CFA franc or euro zones might expand, to partial or full monetary union with the larger African part of the Cotonou grouping. The resulting common currency might enhance co-operation between 'Euroland' and sub Saharan Africa owing to currency stability and the elimination of transaction costs. However, the loss of control over national monetary policy, already a problem in the CFA zone, also reduces its attraction to other Cotonou countries.^{xxxii} Anglophone members of Cotonou cannot accept the loss of sovereignty and monetary flexibility that joining the euro zone would entail. On the other hand these same countries see that their Francophone and Lusophone colleagues attract a higher proportion of EDF funding, which they explain as the consequence of operating within a single currency area, and the fact that Paris lobbies hard for its former colonies. Though all are in the same trade and aid agreement with the EU, Ghana and Nigeria, the two Anglophone members of Cotonou that are also in the regional free trade area ECOWAS, complain that the UEMOA group within ECOWAS attracts EDF funds, at the expense of their own projects.^{xxxiii} The arrival of the euro zone in Africa has made transparent this pre-existing two-tier system of rewards in European agreements with the South.

Writing in the late 1980s, the Guillaumonts, French advisors to several franc zone governments, suggested that a European monetary union would favour African economic integration within the zone and beyond. They recommended the fusion of the ACP Agreement with a franc zone opened up to cover much of Africa. Once fixed to a common reference currency, the exchange rates between African countries would also be fixed. In the case of states trading primarily with the UK the resulting stability would be the greater if that country were to join EMU also. The EC could guarantee these currencies in the same way France did, or, more realistically, provide a limited overdrawing facility in return for good practice. The authors admitted that their Eurafrican, somewhat neo-colonial proposal would

appeal neither to all EC member states, nor to those African states less dependent on European trade than were the CFA group. They concluded: “If the Europe of tomorrow is able to establish its own monetary identity, monetary co-operation with Africa would be an effective way for it to contribute additionally to the development of that continent.”^{xxxiv} Five years later French academic Philippe Hugon likewise suggested a merger of the African ECU zone with the African ACP states as a logical next step in Eurafrican relations. The divergent economic and monetary policies of the African ACP states hindered the emergence of the regional agreements that Brussels encouraged, he thought.^{xxxv}

The African ACP countries have been seeking to reduce or remove regional customs barriers for some years, whether the euro zone eventually does cover all of sub Saharan Africa or not. The aim is to merge the zone franc (in reality zone euro) areas and further extend their membership. Their efforts prompted the visit of the President of the European Parliament to Ouagadougou (Burkina Faso) in January 2001 on the occasion of celebrations to mark the seventh anniversary of the UEOMA. She stressed the complementarity of structure and aims of the EU and the West African Economic and Monetary Union, citing as evidence both UEOMA’s Regional Economic Partnership Agreement with the EU, which was in line with EU-ACP co-operation as laid down in the Cotonou Agreement, and UEOMA’s decision to create its own regional Parliament^{xxxvi}. For its part the Council of Ministers of the Economic and Monetary Community of Central Africa (CEMAC) decided in late 2000 to negotiate a similar economic partnership agreement with the EU.^{xxxvii}

Even an enlarged CFA euro zone would still perpetuate the division between those African countries within the euro zone and those without. Certainly, if ultimately all of sub Saharan Africa were tied to the euro, then one of the aims of the colonial Eurafricanists would come to pass. Parity with the euro might ensure a fairer distribution of resources between North and South, especially if and when the Common Agricultural Policy is abolished. Already the Commission has scrapped duties on non-military goods from the poorest countries. Would the removal of trade barriers be worth the loss of economic and political control? Some Africans do not think so.

Regional monetary unions instead of the African euro zone?

Already in 1963 the Organisation of African Unity had called for economic integration. This was confirmed at its 1983 Lagos Summit. The 1980 Pan African Lagos Summit proposed regional customs unions, with common markets and local monetary unions a later goal. The aim was to end the division born of colonial history between the Francophone and Anglophone blocs. Instead monetary Eurafrica has arrived and grown. The OAU nonetheless came up with an African Economic Community (AEC). Ratified in 1994, this aims gradually to become a huge customs union with an African Central Bank, a single African currency and a single Pan African Parliament. It is supposed to subsume the other sub Saharan regional groupings, such as COMESA and ECOWAS, which are legally separate from the monetary cum economic post colonial arrangements already discussed. The fifteen member Economic Community of West African States or ECOWAS, (in French CEDEAO), created in 1975, is made up of Nigeria, Niger, Ghana, Ivory Coast, Senegal, Benin, Togo, Guinea, Guinea-Bissau, Cap Verde, Mali,

Liberia, Sierra Leone, and Burkina Faso. ECOWAS was to have a free trade zone in place by 2000, a central bank by 2002, and a currency union by 2004. These plans have now been postponed.

Despite these regional setbacks, in 2001 a majority of the OAU's members ratified a treaty based broadly on Colonel Ghadafi's initiative of an African Union that is even more ambitious, as it is to supersede ECOWAS et al, the moribund OAU and the fledgling AEC. The AU is to mirror the EU with a single passport, a single central bank, and a single currency all over Africa. Not all North African states are convinced. Nor are all members of ECOWAS and SADC (the Southern African Customs Union). Nigeria and South Africa, which have not needed to accept Libyan aid, consider that their long-standing regional groupings have not yet taken root. There is further a twenty member Common Market for Eastern and Southern Africa, begun as a preferential trade area in 1981, a free trade area in 2000 and itself set to become a common market and monetary union with its own central bank by 2025.^{xxxviii}

But what of the euro/ CFA zones? Since 1997 the Economic Community of West African States (ECOWAS or CEDEAO), to which UEMOA belongs, has been proposing its own monetary union. But while there is agreement on this, there is conflict over the nature of the future common currency. Many in the former French colonies wish to continue their CFA franc/euro parity and extend this to the larger zone, whereas Ghana and Nigeria want to end what they regard as a neo-colonial and restrictive arrangement among its Francophone members, which as we have seen disadvantages them economically as far as aid is concerned though opinion is divided as to the wider economic consequences.

But dissent exists in the African euro bloc, too. After all, many of its member states have joined regional groupings, and its economists and politicians have been assessing the merits of African monetary unions or common markets.^{xxxix}

Writing in 1994, Paris professor Philippe Hugon proposed the full integration of the CFA zone into EMU. In the first stage the CFA franc would be fixed against the ECU (renamed euro a year later). Stage two would see at first the French Treasury but progressively Brussels would guarantee the convertibility of African currencies both within and without the CFA zone, provided all accepted the monetary and budgetary rules pertaining in Europe. Finally there would be complete convergence between a large part of Europe and a large part of Africa. This made sense in his view because the CFA zone traded primarily with the EU, while France's trade with Africa was in the main no longer with the CFA zone. The European (Central) Bank would cover any deficit. Hugon admitted that, 'Naturally, the present interests of the European Community, notably of Germany (dominant at the monetary level) and of Great Britain do not favour a Eurafrikan integration. Furthermore, African nationalisms may oppose such a project...' ^{xl} This Eurafrikan view resembles that of his compatriots some forty years earlier, faced with the prospect of a European Political Community whose economic responsibilities and common currency would eventually extend to its colonial prolongation, the African Union.

The geopolitical continuity of French ambitions was not lost on Mamadou Koulibaly of Abidjan's National University. He noted the implicit worldview in Hugon's thesis according to which Europe and Africa, or Eurafrika, was and should be one of three geo-economic and political blocs.^{xii} He considered the implications of a currency or monetary union between a European bloc and colonial or postcolonial Africa for investment and development aid. He doubted the alleged impressive performance of economies in the CFA zone. There was a gross disproportion in the way the French Treasury distributed reserves, as poor countries gained least from the collective arrangement. While France made up for any shortfall, countries could not obtain credit or interest on the best available terms. The system encouraged waste and irresponsibility. In reply to the Guillaumonts and Hugon (see above) Koulibaly dismissed a possible EU monetary partnership with African ACP members. His concern was not whether recipients of European development aid should have their currencies underwritten by the European Central Bank or by the French Treasury, but rather the broader issue, whether the monetary agreement with France should apply throughout the larger African ACP zone, which now covers all of sub-Saharan Africa. He criticised the 'democratic deficit' inherent in this postcolonial arrangement. The democratic principles the EU makes a condition of aid to ACP countries should also apply in the monetary sphere, he feels. That means that governments and populations must be free to reject membership of the CFA/euro zone. Instead, CFA zone governments had no control over their monetary policy. To suggest that all of sub-Saharan Africa should be under European tutelage indefinitely was to imply that Africans could not run their economies competently without external assistance^{xliii}.

The governments of the zone may not agree with intellectuals such as Koulibaly. The G7 group of rich countries had decided in 1996 to cancel the debt of the most indebted nations, and all of France's contribution of over ten billion euros 6.4 billion had gone to the zone. Perhaps there was insufficient consultation, but that did not mean that the African CFA states wanted to sever links. In an interview in early 1998 economics professor Hakim Ben Hamouda reflected upon the future of the CFA franc zone, the subject of an international economic symposium in Dakar that September. He claimed that the African political elite had agreed to the 1994 devaluation but that it was a unilateral decision by Europeans and Americans, never discussed among African economists or raised in public debate. There needed to be discussions about the future of the monetary zone and of African union as a whole.^{xliiii} Sanou Mbaye, a Senegalese political analyst and journalist based in London, goes further; he has been arguing for years that the CFA zone should go. He says that most Francophone African countries have surrendered control over their foreign reserves, creating profits for French firms and the elite. France maintains a protected market for its own manufactured goods and ensures a secure supply of raw materials, even if that means supporting unpopular undemocratic regimes. Mbaye concludes that the francophone countries should establish their own central bank, and that France has weakened the entire region's bargaining power by persuading the two monetary unions to integrate their economies instead of joining Ghana and Nigeria within ECOWAS. He points out that the advantages of the CFA franc zone for France remain. At very little cost to itself France maintains a captive market for its products and services and gains political influence. French firms benefit from cheap labour and materials, and

repatriate most of the profits. Governments, under pressure from international agencies, have sold their assets to French companies.^{xliv}

Since the money used in the zone franc area uses local symbols (as do euro coins, on one face) there is no popular cultural impediment to its continued use. Over the decades the populations have come to regard the money they use as their own. They give it local names, thus obscuring its colonial origins. However, the Senegalese philosopher Souleymane Bachir Diagne has pointed out that the 1994 unilateral devaluation caused a considerable cultural shock. It then became brutally clear that despite appearances the currencies were not really theirs at all. International monetary institutions and the French Ministry of Co-operation were the sole decision-makers, unperturbed by the united opposition of the African governments affected. The currencies were now starkly revealed as under foreign control, vertically integrated into world capitalism.^{xlv}

Former Prime Minister of the Central African Republic and academic at Bangui University Jean-Paul Ngoupandé thinks that while the currency arrangement may infantilise the Francophone governments the status quo should remain. In his view the eight member West African euro zone can and should continue when the fifteen-member ECOWAS zone introduces a single currency. He does not explain how this would work in practice^{xlvi}. Cap Verde is already in the euro area since its 1998 peg to the escudo. But will the West African euro zone expand to take in ECOWAS members Liberia, Ghana, Sierra Leone and Nigeria? France would require the agreement of the other EMU finance ministers in that case. Alternatively, ECOWAS would have its own common currency, which it has now stated as its aim. In 1998 already Professor and consultant to the World Bank Tchetché N'Guessan of Côte d'Ivoire felt that notwithstanding the impending changeover to the CFA euro, ECOWAS should have a single currency based on a basket of strong and weak currencies, such as the dollar, the euro, the yen, and the naira.^{xlvii} N'Guessan implied that the CFA zone should ultimately go. Gabonese writer Nicolas Agbohoun has argued in a recent book that the CFA franc/euro zone, far from benefiting Francophone Africa, maintains its peoples in a state of economic and political dependency. Their poverty is due in large part to the constraints of this unequal relationship, he says. Unlike Ngoupandé, he sees no advantage in monetary links with Europe^{xlviii}.

Whatever the views of African academics, CFA zone governments prefer to stay close to Paris. Conspicuous by their absence from the AEC's first Assembly of Heads of State and Government (Harare, June 1997) were delegates from the three CFA franc zones^{xlix}. The only Francophone country at the AEC meeting in November 2000 was Guinea, which is not in CFA zone UEMOA. How can Africa plan a West African monetary union, let alone a Pan African common market and monetary union, as long as a large group of African countries cling to the euro? The question is whether Africa should progressively become a monetary Eurafrika, or whether it should break free at last of its ties and decide its own monetary policy. Both projects have their supporters, though they are mutually exclusive. The very year in which the AEC came into force, 1994, was when the two main CFA monetary zones became economic zones. UEMOA is an obstacle to wider integration, as it splits

ECOWAS in two, the francophone UEMOA members and the francophone rest. It embodies the rivalry between the Ivory Coast and Nigeria.¹ ECOWAS alone can bring together the former French, Portuguese and British colonies in a political and economic union. It is doubtful how far this can succeed with such divergent monetary regimes.

Conclusion

An article in the French newspaper *Le monde* of 12th June 1994 welcomed what it called Europe's 'initiative' in creating a Euro-African ecu zone in Africa. Interestingly, the article asserts that EMU will 'reconnect' the two continents. The suggestion is that monetary union not only strengthens Franco-African relations, but also entrenches once again a 'European' sphere of influence in Africa. The article even looks forward to a 'Euro-African monetary zone' expanding into sub Saharan Africa, though it does not explicitly state that the entire African ACP zone should use the euro, as the Guillaumonts suggested years ago. We recall that in the mid 1950s France insisted that her African 'prolongations' should be either integrated into pan-Europe or given privileged association terms. Is a monetary Eurafrica attractive today to either Europe or Africa? In that case the entire continent south of the Maghreb would realise the old French dream of Eurafrica, in the monetary and trade spheres if not politically. The francophone bloc appears to cling to its monetary privileges, stressing the advantages of trading with a large and wealthy European market on terms other African countries cannot match. Self-interest prevails over regional solidarity or pan African aspirations.ⁱⁱ Will there eventually be a common African currency, the *afro*, in most or all of sub Saharan Africa? Kofi Anan has remarked at the 2002 Summit of the World's poorest nations that the rich had to take note of the disaster that was Africa. As long as most EU members do not place Africa among their geopolitical priorities, a monetary Eurafrica is as unlikely as is a pan-Africa with a single currency. There is no end in sight to the uncertainty and conflict still caused today by past colonial divisions.

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ⁱⁱ Raymond Postal, Introduction (written in mid 1941) of France 1941, La Révolution nationale constructive. Un bilan et un programme. Ed. Alsatia, Paris, 1941, pp. 43 - 51.

ⁱⁱⁱ See Jean Chatelain, La nouvelle Constitution et le régime politique de la France, Berger-Levrault, Paris, 1959, pp. 302 -27; Véronique Dimier, Journée d'Etudes AFSP, IEP de Rennes CRAP, 8 Feb. 2002, pp. 9-10.

^{iv} Gaston Leduc, Les aspects financiers d'une intégration éventuelle de l'Union française dans une Communauté européenne, in Nouvelle Revue française d'outre-mer, Suppl. to Oct. 1953, p. 29-30.

^v Gaston Leduc, Une banque européenne des investissements? In Banque, Paris, Sept. 1953.

^{vi} U. W. Kitzinger, L'Europe face aux pays sous-développés, pp. 42, 44-5, in Un Défi à l'Occident, L'Avenir des pays moins développés. Cours d'été au Collège de l'Europe Libre, Berger-Levrault, Nancy/Strasbourg, 1959.

^{vii} Edward Mortimer, France and the Africans 1944-60, A Political History, Faber and Faber Ltd, London, 1969, pp. 306-9.

^{viii} The Impact of Western European Integration on African Trade and Development, UN Economic and Social Council Document E/CN.14/72, 7 December 1960.

^{ix} Kwame Nkrumah, Showdown in Central Africa, *Foreign Affairs*, vol. 39/2, Jan. 1961, p 295; Idem, Africa Must Unite, Panaf, London, 1970, pp 159-164 and 181-2.

^x Kwame Nkrumah, Africa must unite, Panaf Books Ltd, London 1970, pp. 141-2.

^{xi} Alphonse Nguvulu, in *Jeune Afrique*, Paris, no. 368, 28 Jan. 1968, p. 23.

^{xii} *Ibid*, p. 142.

^{xiii} For more details see e.g. Philippe Hugon, L'Intégration régionale, zone franc et zone ecu, in L'Intégration régionale dans le monde, Innovations et ruptures, GEMDEV, Karthala, Paris, 1994, pp. 175-210.

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- xv Jean-Paul Ngoupandé, *L'Afrique sans la France*, Albin Michel, Paris 2002, pp. 120-1.
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- xviii Stéphane Dupont, *L'Afrique noire francophone se réinsère dans la communauté financière internationale*, in *Les Echos*, Paris, 3rd Oct. 1995.
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- xxix Patrick Guillaumont and Sylviane Guillaumont, *The Implications of European Monetary Union for African Countries*, in *Journal of Common Market Studies*, vol. 28/2, 1989, p. 144-5.
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