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The CFA Franc and the Monetary Arrangements between France and Cote d'Ivoire: Economic stability tools or means of Domination?

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ABSTRACT

This project examines the bilateral relations between France and Cote d'Ivoire, focusing on the monetary and financial arrangements, and notably the costs and benefits of using the CFA Franc as national currency. The study found that the CFA franc ensures monetary stability and allows Cote d'Ivoire to control the inflation level, thanks to a tight regional monetary policy framework. Its fixed parity with French franc and later on with Euro prevents it from speculation in foreign exchange market. Moreover, it facilitates trade between Cote d'Ivoire and France, while preventing risk and uncertainty in transactions.

However, some losses and disadvantages has been identified for Cote d'Ivoire's economy. The study found that the operating mechanism of the CFA franc does not enable a good financing of the economy with internal resources. the principles of free convertibility and free transferability favors capital flight at the expense of the local economy. The CFA franc fixed parity with Euro has unfortunately an overvaluation effect on the exchange rate and tends to penalize the competitiveness of the Franc zone countries' economy and considerable losses in export revenues. The study also found that the influence of France in the operationalization of the currency reflects the common feeling that Cote d'Ivoire is still under monetary domination and that the CFA franc's functioning principles inhibit its development.

Therefore, the study suggests a three-level-action approach. The first, at national level, is the adoption and the implementation of conjunctural and structural economic reforms to stimulate production, growth and job creation; the second consist in a concerted action at the sub-regional level (in WAEMU) for the purpose of reforming the operationalization system of the CFA Franc and adapting it to the economy of the member countries, including Côte d'Ivoire; and finally, at the regional level, the realization of the project for the creation of the ECOWAS common currency. This last action should lead to the disappearance of the CFA Franc, but its implementation requires an effective economic convergence among these countries.

Keywords: CFA Franc, Franc zone, Monetary arrangements, Economic performance, convertibility, Fixed parity, Transferability.

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ABBREVIATIONS

AOF:	Afrique Occidentale Francaise
BCEAO:	Banque Centrale des Etats de l'Afrique de l'Ouest
CAEMC:	Central African Economic and Monetary Community
CFA:	Communaute Financiere Africaine
ECB:	European Central Bank
ECOWAS:	Economic Community of West African State
EMU:	European Monetary Union
EU:	European Union
FDI:	Foreign Direct Investment
GDP:	Gross Domestic Product
HDI:	Human Development Index
IMF:	International Monetary Funds
OCA:	Optimum Currency Area
ODA:	Official Development Assistance
WAEMU:	West Africa Economic and Monetary Union
WAMU:	West Africa Monetary Union

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF ANNEXES

CHAPTER I: INTRODUCTION

1-1. General approach

In the modern economy, monetary policy could be summarily defined as a set of measures taken by the States or by their monetary authorities (usually the central bank), to influence economic activity through money supply. The goal is to ensure price stability, a prerequisite for the development of economic activity, and in achieving growth objectives. We live in an economic environment that has undergone profound changes as a result of globalization, favoring the liberalization of trade, investment and capital flows. The world has moved from an antiquity economy to a modern economy where money has undergone major change. In such a context, the way through which States manage their currency is crucial to the extent that it affects their economic performance.

A currency represents an essential tool for the subsistence of a given economy and its normal running in the sense that it functions as a measuring instrument, and its fundamental role is to serve as a means of transaction and exchange between economic agents. In the light of this, each country has indeed the right to issue its own currency and there is no worldwide common currency binding sovereign states, apart from the case of monetary unions, which devote the sharing of a single currency accepted by their member countries as such. However, the global interconnectedness and the interdependence between countries and economies has led currency users to agree on a convertibility mechanism, a property of a national currency to be freely exchanged with other currencies minted by any other country or group of countries.

Focusing in particular on the CFA Franc, there are ongoing debates on its profitability. That issue raises passions in political and economic talks in Africa, and especially within the Member States of the Franc Zone. While some argue that the CFA Franc is definitely a guaranty of economic stability, others view it as the contrary, seeing it as a major impediment to the African countries' development. At the heart of this controversy, France which has a long colonial background with many of African countries is rightly or wrongly singled out and accused of being responsible for the economic downturns of the Franc zone countries, by using the CFA franc as a means to dominate these economies for its own benefit.

Pegged to the euro by a fixed exchange rate and convertible thanks to a guarantee granted by French Treasury, the CFA Franc is indeed more and more openly criticized in the Franc zone countries. Such fierce criticisms indicate, at the very least, the interest for the economic development of these countries, but especially the role played by France and its relationship with its former colonies.

▪ Research background and motivations

This project examines the bilateral relations between France and Cote d'Ivoire, focusing in particular on monetary and financial issues, notably the costs and benefits of being a CFA franc zone country.

Indeed, France and Cote d'Ivoire have been maintaining close relationships for several decades. In order to have a clear understanding of these relationships, it is timely to address the topic from its historical roots, by recalling two main periods. The first period (colonial period) begins with the arrival of the first French explorers on the Ivorian coast at the end of the 18th century. Then in 1842, a treaty of protectorate was signed in the coastal city of Grand Bassam. Cote d'Ivoire officially became a French colony on March 10, 1893. As for the second period, it dates back to the post-colonial period which began on August 7, 1960 with the proclamation of the independence of the country by the First President, Felix Houphouet Boigny, and it extends until today.

Under the colonial era characterized by French domination, Cote d'Ivoire was included in the Federation of French West Africa called French West Africa (Afrique Occidentale Francaise - AOF) like all the other territories of the West African region annexed by the French administration. This period has also been marked by the adoption of several political and economic acts by the colonial power. One of the major acts of this period is undoubtedly the adoption of decrees in August 28, and September 1 and 9, 1939 instituting a strict exchange control between France and its colonies and the rest of the world on the one hand; and on the other hand, to protect itself from structural imbalances in the war economy. It is from this point that the term "Franc Zone" took form. It refers to a monetary arrangement defining the zones of use of the colonial currency set up by the metropolis. This currency, the CFA Franc, was created on December 26, 1945.

After independence, most of the countries in the franc zone including Cote d'Ivoire did not deny their membership of the monetary zones created during the colonial era, but rather, they continued to use the CFA franc as their national currency and legal tender.

The CFA franc presents some specificities in its constitution, its structure and its operationalization. That is why this study will assess its implications for Cote d'Ivoire's economy. By doing so, gains and losses from France will be discussed, including the question of maintaining the CFA franc as national currency, as well as the monetary and financial agreement which bind the two countries since many years.

- ## Research questions

This study is designed as a contribution to discussions held for several years on the relevance of the CFA Franc in the contemporary economic context. Is the CFA Franc the symbol of the omnipresence of France in Africa? Who benefits from the CFA Franc? Can member countries of the Franc Zone freely decide their monetary policy independently without interference from France? Should the economic and monetary cooperation with France be reformed? Can we attribute the economic performance (negative or positive) of the member countries of the Franc Zone to the use of the CFA Franc? These are some general questions that previous study tried to answer.

In the present project, I investigate the specific case of Cote d'Ivoire, with the aim to pinpoint the implications of the CFA Franc in France-Cote d'Ivoire economic relations and the resulting advantages. Based on that, the question bellow holds my attention:

What are the impacts of CFA Franc on Cote d'Ivoire's economic performance, with regard to its relations with France?

▪ Methodological Approach

This paper assesses from a qualitative prospective, the gains and losses for Cote d'Ivoire in its monetary and financial relations with France by the use of the CFA Franc, stressing the political and economic entailment. The analysis will be based on secondary works and official documents to cover generalities on the specific relationship between Cote d'Ivoire and France, as well as the constitution, the structure and the operationalization of the CFA franc. Afterward, the study will try to address the effectiveness and the optimality of the monetary union from Cote d'Ivoire's perspective by using the Optimum Currency Area (OCA) theory developed by Mundell (1961). That is to assess the economic implication of using the CFA Franc. And then, particular attention should be paid on the level of economic cooperation between Cote d'Ivoire and France, as well as the key factors of this cooperation. This part will give valuable insights on the level of influences of CFA franc in this cooperation, as well as the costs and benefits for Cote d'Ivoire. Finally, this study carries out a public survey aiming at gathering the views of population on the CFA Franc as well as their perception of the monetary cooperation between France and Cote d'Ivoire.

Although using qualitative method, I collect some data from World Bank, International Monetary Funds, OECD, as well as other relevant databases to support my analysis.

1-2. Literature review

▪ Background of the CFA Franc

The franc zone was born empirically by the institution of exchange control for the purpose of monetary and commercial defense of what was then the French empire in 1939 (Garcia, 1961). At the end of the Second World War and in the final preparations to sign the Bretton Woods agreements, France announced in December 26, 1945 the creation of the CFA franc (franc of the French colonies of West and Central Africa) and the CFP franc (franc of the French colonies of the Pacific)[1]. During this period, the metropole established the Central Bank for Overseas France[2] which was the Institution designed for issuing CFA Franc, as a "substitute for French bank notes issued under the occupation" (Boughton, 1991). The main features of this currency area comprised some governing principles, notably the convertibility of CFA Franc into French Franc at fixed parity; the guarantee of convertibility by France through the establishment of Operations accounts for each colony with French Treasury, free capital mobility throughout the zone, pooling of foreign exchange reserves at the French Treasury, and the establishment of common trade and financial policy vis-à-vis the rest of the world (Boughton, 1991). There is actually no big difference between the original principles and the current rules that govern the CFA Franc.

Rightly, in 2002, David Fielding (2002) wrote a book entitled "The Macroeconomics

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[1] Originally, CFA meant "Colonies Française d'Afrique" and CFP "Colonies Française du Pacifique"

[2] The Original denomination in French was "Caisse Centrale de la France d'Outre-mer (CCFOM)"

of Monetary union", in which he conducted an analysis of the CFA franc zone. Reviewing the economic characteristics guaranteed in the CFA franc constitution, he focused his attention on two categories of obligations. First, he revealed the constitutional principles and institutional structure of the franc zone. Those are the guaranteed convertibility of the CFA, a fix exchange rate (with a system of compensation through an Operation Account), a free transferability between France and members of the union, and the harmonization of rules governing currency exchange. And secondly, the administrative structure imposed to each member.

In fact, since 1945, the Franc zone has been an unparalleled monetary and economic area in the world, associating France with fifteen states in sub-Saharan Africa, fourteen of which are grouped into two monetary unions. Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo are members of the West African Economic and Monetary Union (WAEMU). Cameroon, the Central African Republic, the Republic of Congo, Gabon, Equatorial Guinea and Chad are members of the Central African Economic and Monetary Community (CAEMC). The Union of the Comoros is the fifteenth African member of the Franc Zone.

As Pomfret (2005) pointed out, the zone has existed for over half a century and its solidity is maintained on the one hand by preferential French aid to members and Balance of Payment support, and on the other hand, by institutions imposed by France (as a dominant economic power) and that are accepted by members.

- **Ongoing debate on maintaining or leaving the CFA Franc: the future at issue**

Between stay and quit, criticisms are all about gains and losses, all about the role playing by France. The future of the franc zone has been debated for several years. The first impression that emerges from the preliminary reading we went through reveals two tendencies. On the one hand, there are opponents of the CFA Franc; and on the other hand, the defenders to this currency.

Many scholars think that the CFA Franc keeps countries that use it in a position of monetary dependence. Guy Martin (1983) states that a Currency is an essential attribute of the sovereignty of a country. The fact that France continues to play a leading role in the definition of the monetary policy of its former colonies is, in his view, a disguised violation of their sovereignty and a clear expression of its economic and monetary hegemony. The CFA Franc appears like a currency designed by France and demised to its (former) colonies while retaining primarily a power of decision and for which it does not intend to give up. The dependence is more plausible when for example, all international transactions of the Franc zone countries are done through the French Treasury as underlined by Guy Martin (1983).

Noticeably, the strong influence of France limits the scope of action of member countries. It could be qualified as a theoretical independence revealed by an economic system which is controlled and directed from outside. In that sense, "The CFA Franc is in fact an instrument of the permanence of the colonization of France in Africa"

(Kovalin, 2007). Therefore, the Franc Zone system contributes ultimately, in typical neo-colonial fashion, to perpetuate and increase the underdevelopment and dependency of the African states while at the same time generate economic benefits for France (Guy Martin, 1986).

Allechi and Niamkey (1994) conducted a research to evaluate the membership gains derived by the Franc zone member countries. They found that when the opportunity cost of maintaining the operation account at the French treasury are taken into consideration, especially the interest rate costs and the exchange rate costs, the evidence shows that overall, there are more net losers than gainers in the Franc zone with 65% reserves pooling for the study period 1975-1988[3]. Aloysius Ajab Amin (2000) identified the special arrangement between the CFA franc zone countries and France, and examined how each has affected the socio-economic development of the CFA franc countries relative to the non-CFA franc Sub-Saharan countries. Because of the monetary and financial arrangement, France provide some technical and financial assistance to the CFA franc zone countries. The effects of these arrangements may be reflected in the outcomes including the internal and external macroeconomic balances. He found that the most important factor is the institutional rigidity imposed by the monetary and exchange rate arrangements. The rigidities have tended to negatively affect other aspects of the economies of the CFA franc countries, and therefore affect their long-term growth prospects.

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[3] See Allechi, M & Niamkey, A.M. (1994). Evaluating the Net Gains from the CFA Franc Zone Membership: A Different Perspective, World Development, Vol. 22, No 8, pp. 1147-1160.

With regard to Amin's findings (Amin, 2000), one could think that J Rweyemamu (1973) were right when he said that African countries should strive to achieve a minimal degree of economic independence which implies control over economic decision-making and the national economy, the establishment of a firm industrial structure leading to a self-generating and self-sustaining growth, and a diversification of external economic contacts consistent with the nation's economic interests.

However, number of economists and scholars expressed a contradictory opinion. Without denying the problems that persist in the existence of the Franc zone, they admitted that the CFA Franc has been in general beneficial for the economy of the member countries.

Researchers has defined some criteria to determine how far a given monetary union can meet the optimality requirements. The famous Optimal Currency Area initiated by Mundell (1961) and Mc Kinnon (1963), then defended by Alesina and Barro (2002), is in fact the theoretical framework on which a monetary zone is generally evaluated. Although many assume that the Franc Zone is not an OCA, Benedicte Vibe Christensen[4] averred that "The CFA franc system does offer its members a range of advantages and opportunities, including a credible monetary anchor and the potential

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[4] Benedicte Vibe Christensen is a Macroeconomist and senior manager at the International Monetary Fund for nearly 30 years and previously in the Central Bank of Denmark (Danmarks Nationalbank). Supervised and performed analysis of economic and financial developments in countries and regions in the world and their interdependence and participated in economic program negotiations with governments in Africa, Asia, and Europe (Source: https://www.linkedin.com/in/benedicte-vibe-christensen-7340b617)

for wider financial and goods markets than those available to nonmember countries"[5]. The fact that this agreement was able to survive over time so as to be the world oldest monetary zone could be a strong argument of its importance for the member countries.

Couharde, Coulibaly, Guerreiro, and Mignon (2013) studied the sustainability of the CFA zone by focusing on the "economic conditions that have ensured the durability of the exchange-rate commitment over time", rather than focusing on OCA criteria. They found that the Franc zone is a sustainable currency area[6] that have successfully ensure the maintaining of the CFA franc. They also argued that "*the CFA zone is sustainable as real exchange rates tend to revert to their equilibrium paths, while in other Sub-Saharan African countries, this adjustment process is mainly driven by movements in nominal exchange rates*".

Bruno Coquet and Jean Marc Daniel (1992) questioned the relevance of the franc zone in the contemporary economic context. In response, they believe that the franc zone is profitable to both parties (France and member countries) in the sense that it confers enormous economic resources to France and provides an unlimited guarantee of coverage of any deficits that member countries may encounter on their operating account. They found that the franc zone provided its members with monetary stability

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[5] Gulde, A.M and Tsangarides, C (2008). The CFA franc zone: common currency, uncommon challenges. International Monetary Fund, Washington, D.C.

[6] They define a sustainable currency area as a "monetary union that impedes its member countries to deviate permanently from their equilibrium paths". (see Couharde, C., Coulibaly, I., Guerreiro, D., & Mignon, V. (2013). Revisiting the theory of optimum currency areas: Is the CFA franc zone sustainable? Journal of macroeconomics, 38, 428-441).

and moderate inflation compared to other sub-Saharan African countries. This statement tends to show the balance of gains and provides implicitly at the same time the reasons for France to keep playing a very significant role in the monetary policy of fourteen countries in Africa.

1-3. Outline of the study

In order to answer the questions raised by this research and to evaluate the CFA Franc economic outcomes for Côte d'Ivoire, this thesis has been divided into five chapters: the introductory chapter that ends here has laid the foundations of the present study, giving motivation and the research objectives, as well as the existing works on that issue. Chapter 2 analyses the peculiarity of the relations between Cote d’Ivoire and France and examine the specificities of the CFA Franc. Chapter 3 tries to assess the economic implications of the CFA Franc. Chapter 4 highlight the key findings derived from the analysis and suggests some policies for an optimal profitability of the monetary arrangement for Cote d'Ivoire's national economy. Finally, Chapter 5 summarize and conclude the study.

CHAPTER 2: ANALYSES OF THE PECULIARITY OF COTE D'IVOIRE-FRANCE RELATIONS AND KEY FEATURE OF THE CFA FRANC

2-1. Overview of the relationship between Cote d'Ivoire and France

2-1-1. Presentation of Cote d'Ivoire

Cote d'Ivoire is a cosmopolitan country located in West Africa. It covers a total area of 322,462 km2. The country is a member of the Franc zone and has French as official language, a legacy from the French colonization. Historically, Cote d'Ivoire became a French colony in 1893 and was integrated into French West Africa (AOF)[7] in 1895. The country remained under the control of the colonial administration until 1960, when it became independent. During the first two decades after the independence, Cote d'Ivoire benefited from a very favorable economic situation under the leadership of its first President, Félix Houphouët-Boigny. The country experienced a very strong economic growth (7.6% in average from 1970 to 1979) supported by the export of coffee, cocoa and wood. This allowed the government to launch several large-scale

[7] The French colonies in Africa have been grouped into two major Federations. The French West Africa (Afrique Occidentale Francaise - AOF) created in 1895 and comprising 8 countries: Senegal, Mauritania, French Soudan (which became Mali), Haute-Volta (Which became Burkina Faso), French Guinea, Niger, Côte-d'Ivoire and Dahomey (which became Bénin); and the French Equatorial Africa (Afrique Equatoriale Francaise – AEF) created in 1910 and comprising 4 countries: Gabon, Moyen-Congo (which became Congo-Brazzaville), Oubangui-Chari (which became Centrafrique) and Tchad. Each of its federations was headed by a General Government.

economic projects (public investment, industrialization plan, infrastructure development ...). It resulted in what was known as the "Ivorian Economic Miracle", characterized by a rapid economic development, compared to many other sub-Saharan Africa countries.

From the end of the 1970s, the country started facing an economic recession caused by both the global financial crisis and the decline in export commodities prices (Cocoa and coffee, main export products of the country). The large economic and financial restructuring plan imposed by the IMF and the World Bank through the Structural Adjustment Programs (1981-1983, 1984-1986) failed and couldn’t allow the country to recover its economic stability.

Most economists think that the adjustment measures were recessionary. The liquidation or the privatization of some state-owned enterprises, the lowering of wages and the halting of hiring in the public service, the rise in public services costs, the rise in indirect taxes (VAT) and tariffs have resulted in a sharp contraction of domestic demand. But the crisis has also been aggravated by unforeseen external shocks. The dollar’s sharp rise, the high interest rates (which increased the public debt burden) and deteriorating terms of trade have seriously affected the current account deficit. From a climatic point of view, a dramatic drought in 1983 caused losses of about 50% on agricultural crops.

In 1987, Ivorian authorities suspended their relations with International Financial Institutions and declared the country’s insolvency face to a huge and increasing public debt. To solve this persistent economic hemorrhage, Félix Houphouët Boigny chose to turn his back on its economic liberalization policy and decided, in July 1987, to retain cocoa stocks in order to push cocoa prices up on the international market. At the same time, customs barriers on manufactured goods have been re-established and customs duties increased by almost 30%. But these measures were not sustainable and the expected goals couldn't be achieved.

In 1989, Cote d'Ivoire reconnected with the International Financial Institutions and launched an austerity and recovery policy. The reduction of public expenses and public wages, the privatization of State-owned companies, the elimination of tariff and non-tariff barriers and the tax pressure on private sector were some measures implemented in accordance with the World Bank and the IMF. This plan was supposed to lead to economic recovery an improvement. This period coincides with the death of President Félix Houphouët-Boigny in 1993. He was succeeded by Henri Konan Bedie. From 1981 to 1993, average GDP growth was negative (-0.2%).

The economic problems were not unique to Cote d'Ivoire at that time, but similar issue undermined the whole Franc zone in general. In 1993, Côte d'Ivoire lost its competitiveness, particularly because of the CFA Franc real exchange rate appreciation, due to the depreciation of the dollar. The ultimate solution for French monetary authorities was to reduce by 50% the parity of the CFA franc compared to the French franc. The devaluation was decided in January 1994. For Cote d'Ivoire, it marked the beginning of a new growth cycle. It was followed by the reduction of customs duties at entry to limit inflation. Devaluation actually boosted Ivorian exports.

However, it happened a long period of political and economic uncertainty, punctuated by a governance often described as mediocre in the mid-1990s, a military coup in 1999, contested elections in 2000 and 2010, an armed rebellion which started in 2002 and led to the partition of the country, a slowdown of the economic growth and a break with the financial Institutions, and in nail, the serious post-electoral crisis in the early 2011, which seriously affected the political, economic and social environment of the country.

At the end of the crisis, Cote d'Ivoire returned back to peace and the Government led by President Allasane Ouattara has made effort since 2012 to enable the country to resume growth. Despite the series of conflict and the instability that has marked the country, economic fundamentals remained quite solid. The effective resumption of economic cooperation with development partners led to an economic and trade policy focused on growth and the repositioning of the country in the region.

Cote d'Ivoire is a major country in West Africa and especially in the WAEMU where it still playing a leading role.

2-1-2. Historical analysis and nature of the relations between Cote d'Ivoire and France.

The assessment of the relations between Cote d'Ivoire and France aims to identify the ins and outs of a historic partnership for which benefits are not always (or almost never) equitably perceived. Political and economic actors agree that France has been historically the largest economic partner of Cote d'Ivoire. A priori, one could say that it is a normal and obvious situation, given the colonial background of these relations.

As mentioned in the previous paragraphs, Cote d'Ivoire became a French colony in 1893. By annexing the territory, France had the ambition to subjugate it to its administration. As in any colonialist expansion project, the French colonization in Cote d'Ivoire aimed at exploiting the wealth of the territory, namely the natural resources, the manpower... Besides these mercantile concerns, colonization was often supported by concepts such as "civilizations' development" to justify their exploitation and the economic, political, and sometimes cultural and religious domination. Due to its geographical and strategic location, as well as its numerous economic assets, Cote d'Ivoire appeared as one of the most dynamic French colony in Africa in the 1920s (Braibant, 1976). Being a very rich territory during that period, Merle (1959) revealed that it provided alone two-thirds of the AOF[8] budget.

The accession of Cote d'Ivoire to independence in 1960 did not lead to the withdrawal of France. The Ivorian political leaders led by President Felix Houphouet Boigny was convinced that the country was not able to build its development alone. Keeping a very close link with the metropolis was therefore the best and strategic option to be considered in Ivorian authorities' views. Based on this, several bilateral agreements were concluded in various domains of cooperation (economic, political, military, cultural, etc.). As for the economic and monetary cooperation, the colonial currency

[8] AOF: Afrique Occidentale Francaise - in English French West Africa -

(CFA franc) was maintained, together with other former French colonies. It resulted in the creation of WAMU in 1962.

The maintaining of the CFA Franc contributed to develop trade in agricultural raw materials (e.g. coffee and cocoa), which was the country's main source of income and which was the cornerstone of the economic miracle during the 1970s. Cote d'Ivoire' open policy has also favored the establishment of many French companies and a vast movement of the so-called "French cooperants" (businessmen, tradesmen, teachers, technical or military advisers ...) in Cote d'Ivoire. There were more than 50,000 French nationals in Cote d'Ivoire in the late 1970s. French investments led the Ivorian economy to be almost dependent on France. In addition, France offered substantial development assistance and budget support to Cote d'Ivoire. This assistance, sometimes, played an important role in guaranteeing public and private investments.

It should also be noted that African markets and more particularly the Ivorian market is profitable for French firms. These firms take advantage from the CFA Franc and the mechanisms of monetary cooperation between both countries. In return, France has been the main destination for Ivorian exports for many years, even though the volume of trade has dropped considerably due to the combined effect of globalization and the pegging of CFA Franc to Euro.

In fact, France has never left Cote d'Ivoire. The country is still at the heart of Cote d'Ivoire's economic development through the presence of its multinational companies, the presence of its military troops, its cultural and geopolitical presence, but also by its huge economic interests. The gains that Cote d'Ivoire can make from its relationship with France, or the losses it could face are clearly inseparable from the colonial background as well as from the post-colonial (or post-independence) partnership.

2-2. Analysis of the functioning mechanism of the CFA Franc

Why examining the functioning mechanism of the CFA franc matters in the context of this study? And how can it provide an understanding of the way through which a country like Cote d’Ivoire can benefit from CFA? The objective of this section is to pinpoint the specificities of the CFA franc and figure out how economically, Cote d’Ivoire (as an individual country) manages to adjust with France. As a reminder, the CFA Franc was created by France in 1945 under the rule of General de Gaulle. The decree that formally established it sets four mechanisms that represent its constitutional principles. These principles are recalled in the Cooperation Agreement between the French Republic and the member Republics of the West African Monetary Union. Moreover, the CFA Franc operationalization is based on a peculiar institutional and administrative structure.

2-2-1. The constitutional principles of the CFA Franc

The constitutional principles of the CFA Franc have been discussed before in various publications. Most of the previous studies on the CFA Franc and the Franc Zone have underlined these principles as they constitute an indispensable element in the debates relating to the topic. As part of this research, I also deliberately address those principles by devoting a broader development to better underpin their implications for the Ivorian economy.

- **A guaranteed convertibility of the CFA Franc by the French Treasury**

According to Article 1 of the Cooperation Agreement between the French Republic and the member Republics of the West African Monetary Union[9], "The French Republic shall assist the West African Monetary Union to enable it to ensure the free convertibility of its currency ". This principle means that France, through its Treasury, grants an unlimited guarantee of convertibility of the CFA Franc. The rule has not changed with the shift from French franc to Euros. In practice, the obligation incumbent on the French Treasury in case of a shock to the external accounts of one of the monetary zones of the Franc Zone which would result, for example, in the impossibility for the countries of the sub-region to provide foreign currency payment of their imports, is basically to supply the necessary amount of money in Euros[10].

- **A fixed exchange rate (fixed parity with the anchor currency)**

This principle is stipulated in Article 2. "Transactions between the French franc and the currency of the Union shall be at a fixed rate, based on the parity in force." In practice,

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[9] Banque de France, Accord de coopération entre la République Française et les Républiques membres de l'Union monétaire ouest africaine. Retrieved from https://www.banque-france.fr/economie/relations-internationales/zone-franc-et-financement-du-developpement/presentation-de-la-zone-franc
[10] See "40 ans d'histoire de la Zone franc - Principes et modalités de fonctionnement de la coopération monétaire", Retrieved from https://www.tresor.economie.gouv.fr [accessed on August 20, 2018]

in the franc zone, the parity of the currencies of the area with the euro is established and defined for each sub-area. The currencies of the area are convertible among themselves, at fixed parities, with no limit on amounts[11] (Banque de France, 2010).

Guillaumont (1989) noted that the fixed exchange rate between CFA franc and French Franc (now Euro) is absolute, since the CFA franc is not quoted in the international financial market, but traded at the parity defined by the central bank. Since its creation in 1945, the parity of the CFA Franc has undergone some modifications as it is shown in table 1.

Table 1: Evolution of the CFA Franc parity over time

CFA Franc Parity		
Creation of the CFA Franc	26 December 1945	1 CFAF = 1.70 FF
Devaluation of the French Franc	17 October 1948	1 CFAF = 2.00 FF
Introduction of the new French Franc	1st January 1960	1 CFAF = 0.02 FF
Devaluation of the CFA Franc	12 January 1994	1 CFAF = 0.01 FF
CFA Franc pegging to Euro	1st January 1999	655.957 CFAF = 1 Euro

Source: BCEAO, compiled by author

- ## A free transferability

The third principle of the CFA Franc is the free transferability within the monetary zone and between member countries and France. It may concern the current transactions as well as capital movements. This principle, which appears in Article 4 (3)

[11] Banque de France. (2010) The Franc Zone. Fact sheet N0 127, July.

of the Treaty of 14th November 1973 constituting WAMU has been recalled by Article 6[12] of the Agreement between the French Republic and the member Republics of the West African Monetary Union. Member countries undertake to respect the free movement of monetary signs and the freedom of transfer between the countries of the Union. In practice, it implies that the transfers of funds are unrestricted, especially between France and member countries.

- **A centralization of foreign exchange reserves**

The centralization of foreign exchange reserves is perhaps the most controversial of the principles that characterize the CFA franc. It set a particular and unique mode of cooperation in the world through the so-called "Operations Accounts". They are in fact established by the Operations accounts agreement concluded between France and the member States of the Franc zone[13]. Article 2 of this agreement stipulates that "The central bank will deposit on the Operations accounts the liquid assets that it may build up outside its zone of issue". In the same way, Article 3 of the Monetary Cooperation Agreement between France and the Member States of the Union stresses that CFA Franc member countries convene to centralize, under the conditions specified by the

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[12] Article 6 says:" The uniform rules of the external financial relations of the States of the Union, established in accordance with the provisions of Article 22 of the Treaty of 14 November 1973 constituting the West African Monetary Union, shall be kept in harmony with that of the French Republic.
This harmonization, concerted within the Board of Directors of the Central Bank, will ensure, in particular, the freedom of financial relations between France and the States of the Union". (Accord de Cooperation entre la Republique Francaise et les Republiques membres de l'Union Monetaire Ouest Africaine - 4 Decembre 1973)

[13] The Convention creating the Operation account has been concluded on December 4, 1973 between the France and the West African Monetary Union.

above-mentioned Convention, their assets in foreign currency and other international means of payment.

The constitution of the Operations accounts has evolved over time. Agbohou (1999) noted that until 1973, African central banks were required to pay into this account all external assets they held. The 1973 Convention, which was more flexible, obliged the African countries of the Franc zone to deposit at the French Treasury at least 65% of their foreign exchange reserves. Since September 26, 2005, this rate has decreased from 65% to 50%. To compensate the strict respect of this principle by the countries of the Franc zone, the French Treasury undertakes to provide all the sums that the African central banks may need, both for their payments within the zone and for their external payments in foreign currency. The reserves deposited generates some interest based on the European Central Bank (ECB) interest rates. Thus, the Operations accounts may turn into debit without any limit being assigned to this overdraft. When the balance is debtor, the French Treasury collects interest paid by African countries. In the opposite case, when the balance of the Operations accounts is creditor, the French Treasury pays interest to them. Theoretically, the operation account is also used to maintain the balance of payments of these countries in equilibrium.

For France, the centralization of this part of the CFA countries' foreign exchange reserves in its Treasury is the counterpart of the unlimited convertibility guarantee. It is assumed that the French Treasury must be able to assess the evolution of the foreign exchange reserves and to measure the possible risks that the convertibility guarantee could present. Basically, the Operation account is designed to guarantees the implementation of the principles mentioned before.

2-2-2. Institutional and administrative structure of the Central Bank

The Central Bank of West African States was created in 1959, replacing the Issuing Institute of French West Africa and Togo. It is mainly responsible for issuing the CFA Franc in the West African Monetary Zone, implementing the common monetary policy, setting the interest rates, managing and controlling the foreign exchange reserves as well as the external debt, etc.

The institutional and administrative structure of the central bank is governed by four major acts, including:

- The Treaty of the West African Monetary Union (WAMU)

- The Statutes of the Central Bank of West African States

- The Cooperation Agreement between the French Republic and the member Republics of the West African Monetary Union concluded on December 4, 1973.

- The Convention on the Operation account concluded on December 4, 1973 between the French Republic and the West African Monetary Union.

The Central Bank guarantees an equal participation of all the member states in its operation, as well as the establishment of national agencies in each of them.

Regarding its organizational structure, the Central Bank is composed by the Governor, the Monetary Policy Committee, the Executive Board, the Audit Committee and the National Credit Councils. However, we focus our attention on two essential body, in respect of their particular composition and attribution.

The first body is the Monetary Policy Committee[14]. According to the statutes of the Central Bank, this body is responsible for the definition of monetary policy within the WAMU. It includes the Governor of the Bank, the vice-governors, the representatives of each Member States and a member appointed by France. Article 72 specifies that the decisions of the Monetary Policy Committee shall be taken unanimously whenever it concerns any proposal amending the Statutes of the Central Bank.

As for the second body which is the Executive Board[15], it is responsible for the management of the Central Bank. It also includes the Governor of the Central Bank, the representatives of each Member States and a member appointed by France. Similarly, proposals to amend the Central Bank's statutes in areas falling within the competence of the Executive Board must be unanimously adopted.

In short, France has two key seats in the administrative and institutional structure of the central bank. Moreover, it retains significant decision-making power conferred by its right of veto over the decisions of the Executive Board and the Monetary Policy Committee.

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[14] Article 66 and 67, Statutes of the Central Bank of West African States (BCEAO)
[15] Article 80 and 82, Statutes of the Central Bank of West African States (BCEAO)

CHAPTER 3: ECONOMIC IMPLICATION OF THE USE OF THE CFA FRANC

This chapter assesses the effectiveness and the optimality of the monetary union shared by CFA franc countries in West Africa from Cote d'Ivoire prospective. Then it tries to examine the positive and negative implications of using the CFA Franc as national currency in Cote d'Ivoire, especially by analyzing some macroeconomic performance indicators. Also, it evaluates the economic outputs of the existing monetary arrangement in the scope of the economic relation between Cote d'Ivoire and France. And finally, a look is put on people's general perception of the CFA Franc in Cote d'Ivoire.

3-1. Effectiveness and optimality of the monetary union from Cote d'Ivoire's prospective

3-1-1. Brief review of the Optimal Currency Area (OCA) theory

The theory of Optimum Currency Area is an economic model developed in 1961 by Robert Mundell. It defines the level of economic integration in a given geographical area and state that an optimal monetary zone is a geographical region in which some countries can maximize their economic efficiency by establishing a common currency and adopting a fixed exchange rate regime, rather than having multiple currencies with freely floating internal exchange rates. This theory is based on the trade-off between the microeconomic benefits of adopting a single currency and the resulting macroeconomic costs. Basically, Mundell's thinking is to define the conditions under which a fixed exchange system is preferable to a floating exchange system.

In the aftermath of Mundell's work, authors like McKinnon (1963) and Kenen (1969) contributed to develop the OCA theory by analyzing the criteria and the costs and benefits according to which some countries can agree on setting up a monetary union. As noted by Jager and Hafner (2013) "a country that considers membership in a currency union has to balance the economic stability loss (i.e. losing national monetary policy) against the monetary efficiency gain (i.e. a competitiveness gains due to a decline in the general price level, stimulated aggregate demand and enhanced exports) of a single currency".

The theory of OCA is fundamentally based on three main criteria. At first, Mundell (1961) pointed out the *labor mobility throughout the region*. The national currencies being abandoned in favor of a regional currency (or a regional currency having been adopted from the origin as it is in the franc zone case), the option for a fixed exchange rate is economically more advantageous when the mobility of factors of production (especially labor mobility) is high. He argued that in the case of unemployment or inflation, if capital and labor move from industries that suffer from a decline in demand to those with excess demand, the equilibrium can be restored. Likewise, he noted the importance of capital mobility and price and wage flexibility. Flexible prices and wages across the region prevent a prolonged rise in unemployment or inflation as they adjust to actual demand.

Following Mundell’s work, McKinnon (1963) introduced the *degree of openness* as another important feature of monetary union. The more an economy is open, the more sensitive it will be to shocks and the less stable its currency will be. As a result, open economies have a greater interest in participating in a monetary union by adopting a fixed exchange rate system. In the wake of this evolution of the OCA criteria, Kenen (1969) developed the *diversification of production and consumption*, meaning that the diversification of the economy reduces the risks to be affected by a specific shock and the impact of these shocks. Kenen argued that "a well-diversified national economy will not have to undergo changes in its terms of trade as often as a single-product national economy.” (Kenen, 1969, p. 49). In that sense, sufficiently diversified economies could benefit more from a single currency.

Over time, the concept of OCA evolved with the introduction of other criteria such as similarity of economic structure, homogeneity of preferences within the region, fiscal policy or capital mobility. Put together, these criteria are considered as an essential prerequisite to establish a monetary union and form an optimum currency area. By analyzing the traditional OCA criteria, empirical studies on the case of CFA zone found that the WAEMU could not be consider as an optimal currency area. In overall, they basically conclude that the factor mobility throughout the region is not sufficient and the zone is characterized by a low integration of capital market. Also, due to the lack of production diversification, the intraregional trade is limited and still result in a low ratio. The structure of production varies across the different countries due to the massive shocks produced by the terms of trade (e.g. Zhao and Kim, 2009).

Nevertheless, the apparent sustainability of the Franc Zone requires that we adopt a country-focus method to examine to what extent it could be considered as an optimal area for Cote d'Ivoire.

3-1-2. Is the WAEMU an Optimal Currency Area for Cote d’Ivoire?

The answer to this question should not lead us to evaluate the WAEMU as a currency area, but rather, to examine the level of Cote d’Ivoire’s economic integration in the monetary zone in the light of the traditional criteria formulated by the OCA theorists in order to assess the economic implications.

- **Labor and capital mobility**

One of the major objectives expressed by WAEMU member countries is the realization of the common market through the free movement of goods, persons, capital, services and the right of establishment of people in any country of the Union.

As already mentioned, labor and capital mobility across a monetary zone constitute one of the basic requirements to benefit from the positive economic spinoffs generated by the sharing of common currency. Migration flows have always been the main link between countries. There is, however, a real problem of availability and reliability of statistical data on migration in the region. Nevertheless, it can be noted that, historically, Cote d'Ivoire has been a land of welcome for many WAEMU nationals. These flows have been facilitated by the share of French as their official language (with the exception of Guinea Bissau) and also by the common use of CFA franc.

Within WAEMU, migrant have great interest for Cote d'Ivoire, where opportunity to find a job is higher. For many years, migration has been one of the engines of its economic development. In fact, the labor mobility goes back to the colonial period, when agricultural labor was forced by the French settlers. It continued after independence as a result of an Ivorian economy based on agriculture. It has subsequently been strengthened by the development of other economic sectors (transportation, SMEs…). To date, Cote d'Ivoire is a regional pole of attraction, despite the homogeneity of the production factors as well as the similarity in member countries' economic structure. Migration flows have been boosted by the development of the industrial and service sectors. In 2015, foreigners composed 24% of the population[16]. Table 2 shows the compiled data on factor productivity growth for selected countries within the WAEMU in 2015.

[16] The general census of the population indicated that there were 5,490,222 foreigners in Cote d'Ivoire in 2014. The largest fringe comes from the sub-region.

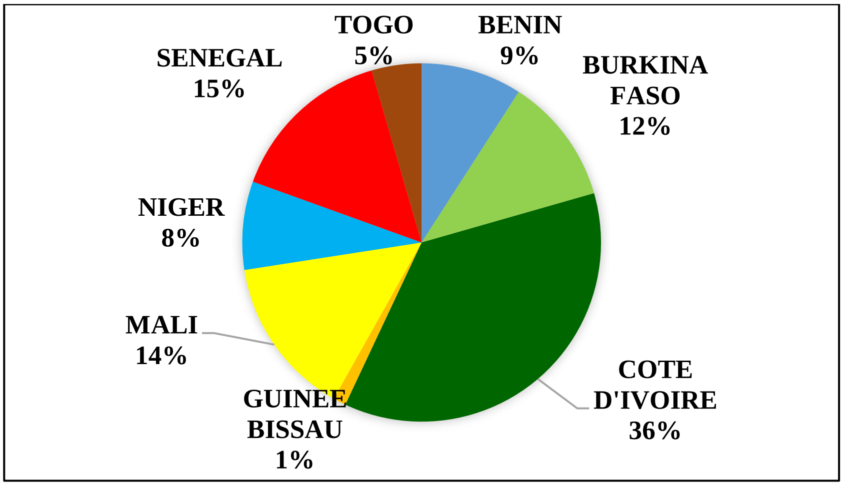
Table 2: Factor productivity growth in WAEMU (as of 2015)

	Cote d'Ivoire	Burkina Faso	Mali	Niger	Senegal
GDP Growth (%)	8.8	3.9	6.0	4.3	6.5
Total Factor Productivity Growth (%)	4.9	-3.8	3.0	-1.6	0.6
Labor Share (%GDP)	68.7	49.7	50.0	72.4	35.2
Capital Share (%GDP)	31.3	50.3	50.0	27.6	64.8

Source: Total Economy Database (TED)[17], compiled by author.

Consequently, Cote d'Ivoire shows a better economic feature, reflected in its GDP share (Figure 1). There is in fact a considerable income gap between WAEMU's countries (Figure 2) and this seems obvious when considering the labor market situation.

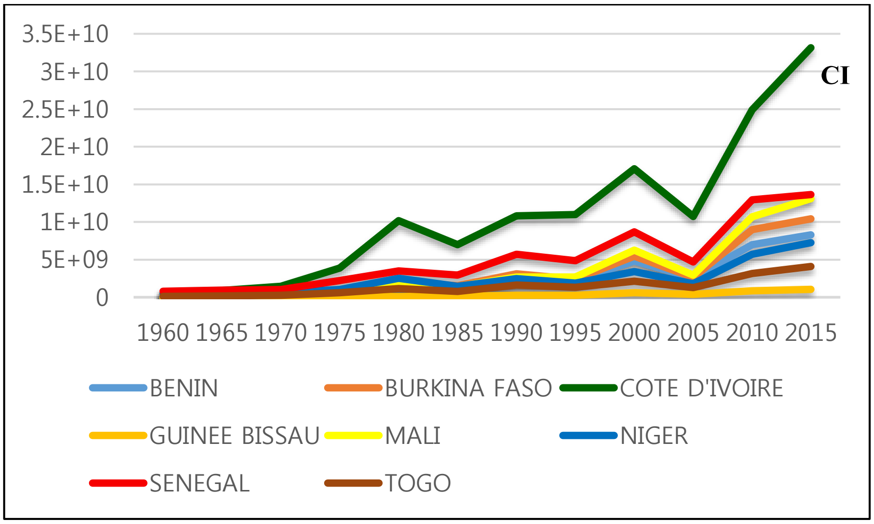
Figure 1: WAEMU countries GDP share (2015)



Source: Data from World Development Indicators

[17] The Total Economy Database (TED) is a comprehensive database provided by The Conference Board (www.conference-board.org), with annual data covering GDP, population, employment, hours, labor quality, capital services, labor productivity, and Total Factor Productivity for 123 countries in the world.

Figure 2: Evolution of GDP within WAEMU Countries from 1960 to 2015



Source: Data from World Development Indicators

- **Openness to intraregional trade**

One of the advantages of sharing a common currency is undoubtedly the opportunity to trade or increase trade with the countries in the same union. In this respect, the degree of participation in intra-regional trade determines the ability of countries to take advantage from their common currency. To assess Côte d'Ivoire's openness to trade in WAEMU, this study refers to trade data provided by United Nations International Trade Statistics Database (UN Comtrade).

Table 3 summarizes Côte d'Ivoire's trade within the monetary zone in 2015. It shows a very low level of trade, which is reflected in the low share of exports and imports. Roughly, the WAEMU zone accounts for only 13.75% of Ivory Coast's total exports, with an unequal distribution of trade flows among the member countries. Its neighboring countries with whom it shares borders are the main destination of its regional exports, notably with a share of 4.83% going to Burkina Faso and 4.40% to Mali. At the same, Cote d'Ivoire imported mostly from Senegal (1.28% of total import).

Table 3: Cote d'Ivoire's Degree of Trade within the WAEMU (as of 2015)

	Export ($)	Export share (%)	Import ($)	Import Share (%)	Trade balance ($)
Benin	66594463	0.60	8463340	0.09	58131123
Burkina Faso	535312787	4.83	6147531	0.06	529165256
Guinea-Bissau	672548	0.01	2724975	0.03	-2052427
Mali	487573302	4.40	3223552	0.03	484349750
Niger	76511266	0.69	5582026	0.06	70929240
Senegal	116520947	1.05	122098444	1.28	-5577497
Togo	241575384	2.18	19348765	0.20	222226619
WAEMU (total)	1524760697	13.75	167588633	1.76	1357172064
World (total)	11088296453	100	9532201225	100	1556095228

Source: UN Comtrade data, compiled by author

3-2. Economic performance comparison with two non-WAEMU countries

Following the previous analysis, it seems expedient to compare Cote d'Ivoire's economic performance with that of two other West African countries, namely Ghana and Nigeria, and also sub-Saharan Africa as a group. The choice of Ghana and Nigeria is motivated by two major reasons.

Firstly, these two countries are members of ECOWAS, and thus share same feature with the other WAEMU countries, including Cote d'Ivoire. For several years, ECOWAS has been engaged in a process of regional integration supported by common policies in several areas of political and economic activity. Moreover, discussions on the establishment of a common regional currency are under way and could be concluded in 2020, according to the agenda drawn by the Heads of State of the region[18]. In general, these countries are characterized by a homogeneity of preferences and a similarity in the structure of their economies.

Secondly, Ghana and Nigeria have their own national currency and sovereignly conduct a national monetary policy with a floating exchange rate, unlike Cote d'Ivoire whose monetary policy is decided at the level of the monetary zone, with a peg currency at fixed exchange rate.

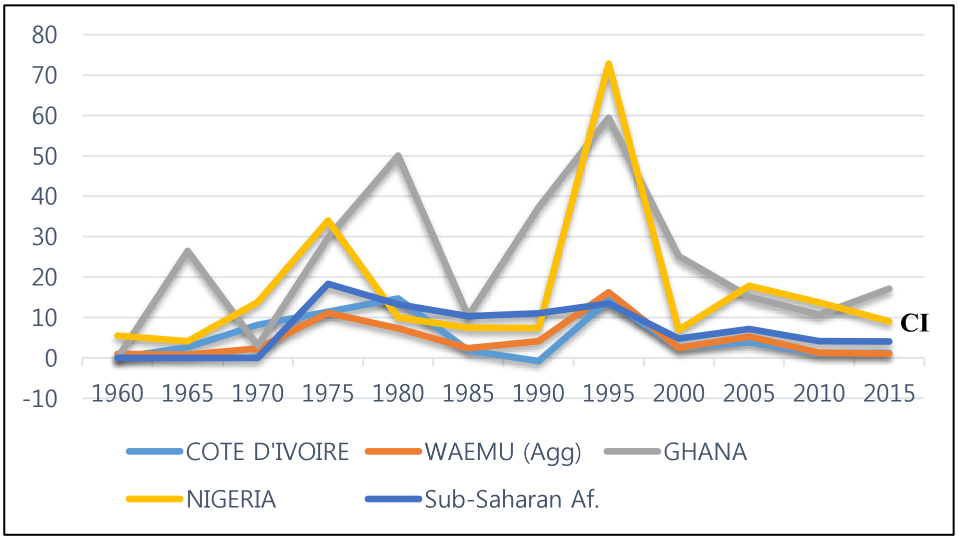
We compare two main indicators: The Inflation rate as well as the GDP growth evolution from 1960 to 2015 (Figure 3 and 4). Table 4 presents a set of macroeconomic and social performance indicators only for the year 2015. These indicators have been computed from world Development Indicators database, World Economic Forum Global competitiveness index and World Economic Outlook database

Regarding inflation, figure 4 shows that there is better control of inflation in Cote d'Ivoire, as a result of the monetary and fiscal rigor imposed by the Monetary Policy Committee of the BCEAO. In 2015, the inflation rate was 1.2% while during the same

[18] For the realization of this regional project, ECOWAS set up a task force composed of four heads of state. This task force adopted a new roadmap on 21 February 2018 in Accra to speed up the implementation of this currency. The expecting launch date is 2020. The principle is that the countries that are ready can start while waiting to be joined by others.

period, Ghana and Nigeria showed respectively 17.1% and 9.0%. The average inflation in Sub-Saharan Africa was 4.0%. Indeed, there are many factors that can explain the reason why Nigeria and Ghana are facing recurrent inflationary situations. The causes generally mentioned include the inefficiency or the lack of rigor in the monetary and fiscal policy of these countries. There is also the recurrent depreciation or devaluation of their currency. In the case of Nigeria for example, the Naira has been devaluated several times. Although devaluation may have some advantages in terms of increasing export or reducing trade deficit, it led more often to inflation in Nigeria due to lower purchasing power that follow.

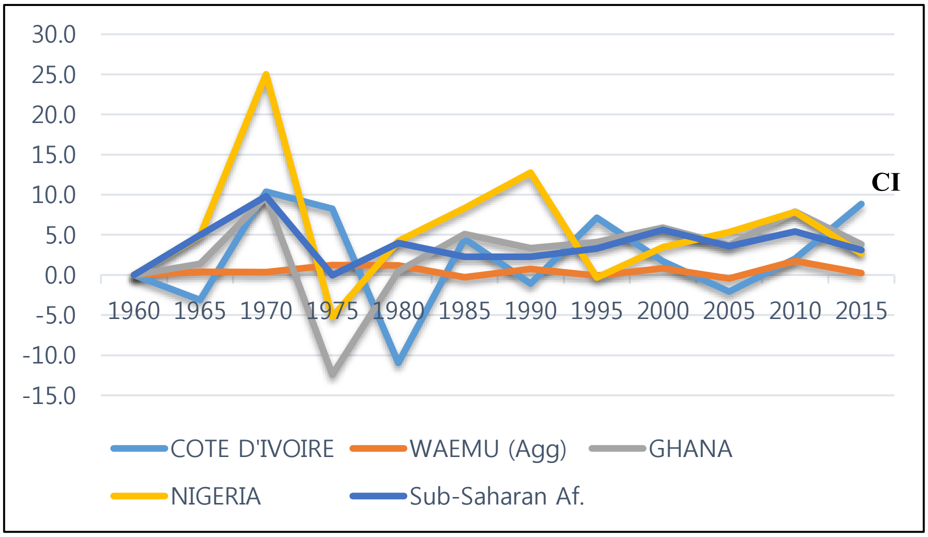
Figure 3: Trend of Inflation rate: Comparison from 1960 to 2015



Source: Data from World Development Indicators

As for the GDP growth, the reason for comparing Cote d'Ivoire' GDP growth rate to Nigeria or Ghana' growth in this study doesn't aim to conclude that the exchange rate has necessarily a positive impact on growth, but rather to put in parallel two different exchange rates regime, applied by economies presenting more or less similar characteristics. Although Brigitta (2015) found that, there is a positive and significant correlation between pegged exchange rate (as in the CFA Franc case) and growth in GDP, figure 4 does not show an important difference between those three countries. Growth in Cote d'Ivoire's GDP is not necessarily more stable than the other countries. However, it is assumed that fixed exchange rate system provides more stability to the currency and therefore, gives more scope for the economy to prosper.

Figure 4: Comparison in GDP growth, from 1960 to 2015



Source: Data from World Development Indicators

Table 4: Cross-country economic performance comparison by selected Macroeconomic and Social Indicators (as of 2015)

	Cote d'Ivoire	Ghana	Nigeria	Sub-Saharan Africa
Macroeconomic Indicators				
GDP (million US$)	33146	37339	481067	1610062
GDP growth (annual %)	8.8	3.8	2.7	3.1
GDP per capita (current US$)	1434	1354	2655	1601
Inflation, consumer prices (annual %)	1.2	17.1	9.0	4.0
Inflation, GDP deflator (annual %)	3.1	16.4	2.9	2.9
Total Government debt (%of GDP)	34.7	72.9	11.9	--
Current Account balance (% of GDP)	-0.6	-7.6	-3.3	--
Global Competitiveness Index	91	119	124	--
Foreign Direct Investment Inflow (million US$	495	3193	3138	46289
Total Exports (million US$)	11735	16587	51312	359861
Social Indicators				
Population (total)	23108472	27582821	181181744	1005850049
Life expectancy at birth (years)	53	62	53	60
Human Development Index	0.478	0.585	0.527	
Unemployment, total (% of total labor force) (modeled ILO estimate)	2.7	2.2	4.3	6.8

Sources: WDI / World Economic Forum Global Competitiveness index / IMF-WEO database, compiled by author.

3-3. Assessment of the monetary and financial arrangements' economic spinoffs

In the preamble of the Monetary and Financial Agreement concluded in 1973, Cote d'Ivoire and France expressed their commitment to "continue their relations in a spirit of mutual understanding, mutual trust and cooperation, particularly in the economic and monetary fields. and financial". On the basis of this premise, and also considering the colonial history, France has become the main trade partner for Cote d’Ivoire.

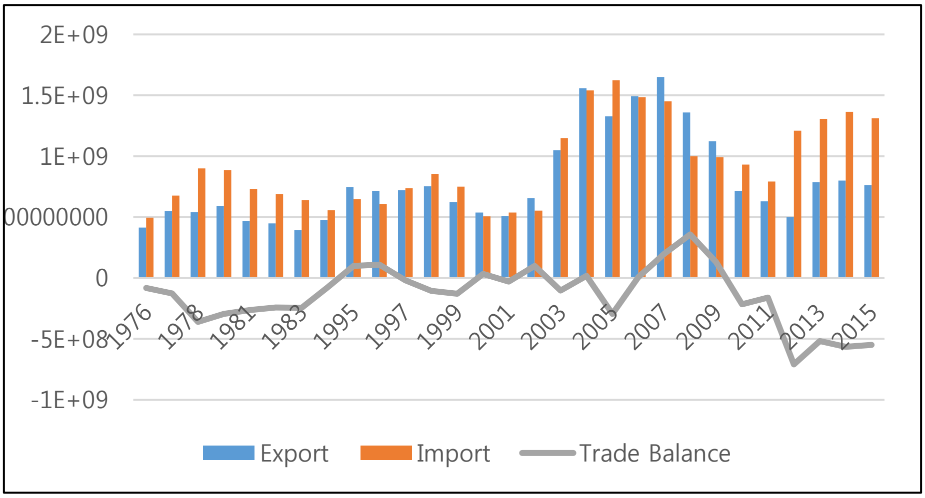
Thus, to assess this cooperation and to figure out the determinant role played by the CFA Franc in its evolution, this study analyzes three economic pillars: The Bilateral Trade, French Foreign Direct Investment in Cote d’Ivoire and the Official development aid received.

3-3-1. Evolution of Bilateral Trade

France and Cote d'Ivoire are long-standing trading partners. Trade between the two countries mainly concerns the export of agricultural raw materials to France, and imports into Côte d'Ivoire of manufacturing products. The fact that the CFA Franc was freely convertible in French Franc, and now in Euro since 1999 has encouraged and maintained the bilateral trade at a significant level which show progression over time. However, over the entire period, the Ivorian trade balance is on average in deficit (Figure 5).

In 2015 for example, France was the 4th largest export market for Cote d’Ivoire, with a share of 6.4% in Ivorian total export, and its 2nd largest import market counting for 13.8% of Cote d’Ivoire’s total import. The gain from the trade surplus for France was estimated at \$ 549.4 million. From 2000 to 2015, the cumulative total surplus for France represents \$ 2,294 million.

Figure 5: Bilateral trade evolution from 1976 to 2015



Source: Data from UN Comtrade

3-3-2. French Foreign Direct Investment in Cote d'Ivoire

France's FDI outward in Cote d'Ivoire began in the aftermath of the country's accession to independence. Cote d'Ivoire's openness policy and the Ivorian authorities' commitment to be supported by France in the development process gave rise to the adoption of incentives for private investment in the 1970s. It was followed by the establishment of many French companies in parallel with the massive arrival of "French cooperants".

Faced to an embryonic private sector and a strong focus on the development of public services, French investments led to the quasi-dependence of the Ivorian economy vis a vis France.

As of today, there are about 800 French companies operating in Cote d'Ivoire. Among those companies, 160 represent Multinational groups such as BOUYGUES, BOLLORE, SADE, BNP PARIBAS, SOCIETE GENERAL group, ORANGE, TOTAL, CFAO, etc. 37.8% of companies officially listed on the Regional Stock Exchange are French companies. They operate in various sectors, including manufacturing industries, financial sector, transportation and distribution. In 2015, the FDI stock was estimated at around $8,074 million. France has about 39% of foreign assets in the country, representing around $ 2.900 million[19].

Although Cote d’Ivoire is the top destination for French investment in the WAEMU area, France FDI in West Africa has increased in recent years. Surprisingly, Nigeria and Ghana are attracting more French investment than Cote d’Ivoire does.

3-3-3. Economic and Development Assistance: France ODA to Cote d’Ivoire

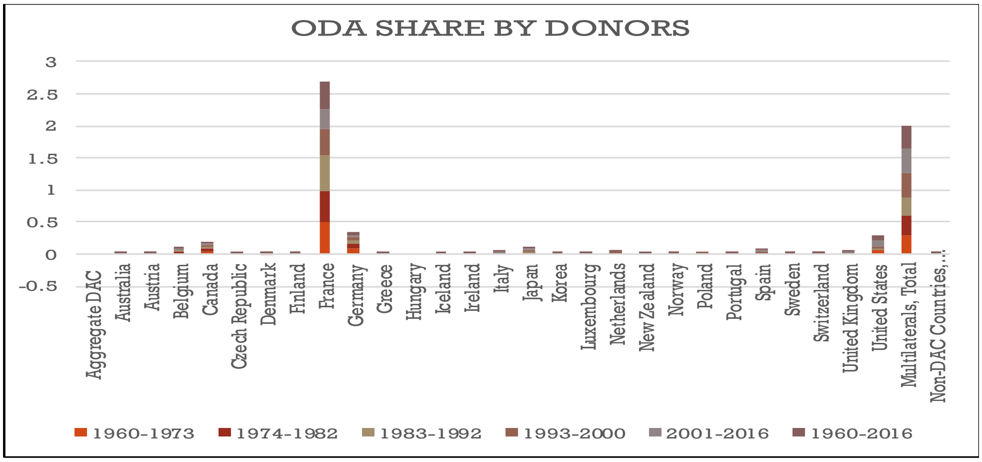
Should we link the development aid allocated by France to Cote d’Ivoire to the CFA Franc? in other words, can we say that the CFA franc is a determinant factor in the provision of development aid? An unequivocal answer to this question would have certainly required an econometric analysis using aid evaluation model. However, we can assume a certain correlation between the maintenance of economic, monetary and

[19] BCEAO – economic and financial data

financial cooperation (reflected in the maintenance of the colonial links and the use of the CFA Franc) on the one hand, and on the other hand, the French development assistance. By observing the overall ODA received by Cote d'Ivoire (Figure 6), it appears that France is the first donor for Cote d'Ivoire.

Many analysts actually believe that France's development aid is designed to preserve its economic, political and strategic interests in Africa and more particularly in its former colonies. One of the contradictory arguments is that the former French colonies in Africa, despite the assistance received, remain the poorest on the continent. Indeed, the main tools of aid from France come in general from the colonial period (monetary and financial arrangements) or result from the post-colonial vision (la Francophonie). France has always been a country influenced by these colonial historical ties, which are more decisive in the allocation of development aid.

Figure 6: Total ODA to Cote d'Ivoire: share by donors from 1960 to 2016



Source: OECD Data, 2017

3-4. Survey on people's general perception of the CFA Franc[20]

As a part of this research, I conducted a public survey whose objective was to gather the opinion of the populations and their perception of the CFA Franc in the relations between the two countries. The questionnaire developed for this purpose especially has allow to collect public opinions about the operating principles of the CFA Franc and the role of France, as well as the economic benefits related to the use of the CFA Franc.

Regarding their perceptions of the operating principles of the CFA Franc and the role of France, overall 50% agree that convertibility guarantee provided by the French Treasury through the operation account mechanism strengthens the credibility of the CFA Franc. Similarly, an important fringe of the interviewees (43.3%) think that the principle of fixed parity with Euro is the guarantee of the monetary stability of Cote d'Ivoire and the other member countries of the Franc zone.

However, the survey revealed a dissatisfaction about the principle of free transferability for which more than 70% agree that it favors the capital flight from Cote d’Ivoire and other member countries of the Franc zone to France. In the same way, almost 80% believe that the Operation Account constitutes a confiscation of the monetary reserves of Côte d'Ivoire and the other countries members of the franc zone. Assessing the role of France, the survey shows a strong approval that the monetary system of the CFA Franc is de facto controlled by France (85%), and the French

[20] See Annexes

Representatives appointed by the French Government in the decision-making bodies of the BCEAO challenge the monetary sovereignty of member states, including Cote d'Ivoire (85%). Finally, 88% agree that France should not have a right of veto on the questions related to the modification of the statutes of the BCEAO, although ensuring the guarantee of the CFA Franc.

When it comes to the views on the economic spinoffs of the CFA Franc, most of the interviewees believe that the CFA Franc is a hindrance for the Ivorian economy (59,3%) and argue that it doesn't guarantee the economic and monetary stability (51%). There is therefore a general dissatisfaction about the economic cooperation with France among the interviewees (84.3%). The survey furthermore, unveil the opinion supporting Cote d'Ivoire's withdrawal from the CFA Franc (62%). In fact, there is a widespread opinion (86.1%) that France continues to subjugate Cote d'Ivoire through the operating mechanism of the CFA Franc. As an alternative solution, 78.7% think that a regional currency, extended to the ECOWAS could be more beneficial to Cote d'Ivoire.

CHAPTER 4: MAJOR FINDINGS AND POLICY IMPLICATIONS

4-1. Major findings of the study

Through the above analysis, the study clearly identified some advantages and disadvantages.

4-1-1. Advantages of the CFA Franc

The main recognized advantages of the CFA Franc for its users is above all the guarantee of monetary and financial stability. Its pegging to the French franc, and later on to the Euro since 1999 has contributed to guarantee its reliability in the international monetary system. Fundamentally, the use of the CFA franc in Cote d'Ivoire and the country's membership of the WAEMU monetary zone, beyond the special relationship with France, provides undeniable advantages: exchange rate stability, monetary and financial discipline, containing of the inflation level, etc.

The financial discipline imposed by the definition of a common and rigorous monetary policy was likely to limit possible political pressure on the central bank as it happens sometimes in some sub-Saharan African countries. In the same vein, it allowed Cote d'Ivoire to maintain its inflation rate at low level for many years and also to conduct a controlled budget policy, thanks in particular to the macroeconomic requirement set by the WAEMU. The average inflation rate in Cote d'Ivoire has been relatively low in recent years and stood at 1.2% in 2015, while the WAEMU average was 1.0%

(compared to 17.1% in Nigeria, 9.0% in Ghana and 4.0 for all of Sub-Saharan Africa).

In addition, the principles of fixed parity and free transferability constitute a valuable incentives tools to develop trade within the monetary zone by eliminating exchange rate losses and promoting the lifting of non-tariff barriers such as exchange control. As well, by removing the foreign exchange risk within the monetary zone and reducing it toward external partners, particularly with regard to France and other European Union countries, the CFA Franc contributed to Cote d'Ivoire's insertion in regional and international trade.

For France, the CFA Franc mechanism ensured the establishment of an influence zone where it has many economic interests and commercial links since the colonial period. Moreover, the CFA franc pegging to the euro at fixed exchange rate tend to facilitate French companies' investment in Cote d'Ivoire.

In sum, the CFA zone has indeed demonstrated a certain resilience and a certain stability on which economists and scholars agree. It must also be admitted that the monetary and financial discipline which characterizes the WAEMU cannot be separate from the economic and monetary agreements concluded with France.

However, it also induces many losses and disadvantages.

4-1-2. Disadvantages of the CFA Franc

After more than 70 years, the CFA Franc continues to be organized institutionally and politically with France. In many aspects, it has shown its disadvantages for the whole

Franc zone in general, and for Cote d'Ivoire in particular.

Firstly, the operating mechanism of the CFA franc does not enable a good financing of the economy with internal resources. As it has been repeatedly denounced, the foreign exchange reserves deposited in the French Treasury in the form of "Operation Account" deprive the Member countries of the Franc Zone of resources that could have been used to finance their development in certain way. This is absolutely true, given that the BCEAO does not have sufficient resources to finance of economic activities in the monetary zone.

Secondly, the principles of free convertibility and free transferability facilitate French investment in Cote d'Ivoire, but since there is no control mechanism for the funds transfer, it results in capital flight at the expense of the local economy. As well, these principles allow France to import easily raw materials from the Franc zone, giving more privilege to French import companies. However, they are more restrictive for Cote d'Ivoire in the sense that they do not promote inter-regional trade with CAEMC member countries because of the non-convertibility and non-transferability of the WAEMU CFA Franc and the CAEMC CFA Franc.

Thirdly, by analyzing closely the applied exchange rate regime, it appears that the CFA Franc's fixed exchange rate with Euro makes its value be determined by the economic vagaries within the euro zone and not by the economic situation within the Franc zone, and even less in Cote d'Ivoire. In practice, when the Euro appreciates against the dollar, the Ivorian external debt, as well as that of the countries of the Franc zone increase.

Similarly, when the value of the Euro become high, it leads to an overvaluation of the exchange rate which penalizes the competitiveness of the Franc zone countries' economy. In the same context, it is disadvantageous for Cote d'Ivoire to imports products from France or the Euro zone because of the high value of the Euro. Moreover, regarding exports, Cote d'Ivoire exports mainly raw materials for which prices are generally fixed in dollars. Then, export revenues must necessarily be converted into euros before being converted into the CFA franc. This leads to huge losses in return. Sadly, if the exchange rate between the Euro and the other foreign currencies fluctuates, the Franc zone countries' export revenues fluctuate accordingly. This situation, unfortunately, affects exports in a negative way.

For a small economy like Cote d'Ivoire, having a strong currency definitely requires some difficult adjustments. This is one of the reasons why since the establishment of the WAEMU, the process of total convergence and economic integration is experiencing difficulties to become more effective[21].

Umpteen times, the argument according to which monetary stability and low inflation

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[21] In the WAEMU zone, the integration process was based since 1996 on the guidelines adopted by the WAEMU Council of Ministers. It has been strengthened by the adoption of the Convergence, Stability, Growth and Solidarity Pact between member countries (Pacte de Convergence, de Stabilite, de Croissance et de Solidarite - PCSCS). It has established macroeconomic and fiscal convergence criteria that could not be achieved according to the initial plan. the unsatisfactory results led to the revision of the PCSCS and the adoption of a new convergence pact in 2015 (Additional Act N 01/2015 / CCEG / UEMOA). The convergence criteria are defined as follows:
1st rank criterion: Budget balance ratio to Nominal GDP > or = 3%
- Average inflation rate (annual) < or = 3%
- Total public debt outstanding to Nominal GDP < or = 70%
2nd rank criterion - Payroll ratio to tax revenue < or = 35%
- Tax pressure rate > or = 20%

level constitute an important asset for economic growth has been emphasized to show the particular benefits from the Franc zone. Although it is true, it has somewhat shifted the attention of the authorities away from substantial problems such as sustainable growth and competitiveness. In fact, by observing the recent trend in GDP growth and FDI attractiveness, some neighboring countries, non-members of the franc zone (e.g. Nigeria and Ghana) show a better economic health (see Table 4). These two countries located in the same geographical area with Cote d'Ivoire are growing faster than Cote d'Ivoire and they attract more FDI than any other country in the WAEMU, even though they operate a floating exchange rate regime and face a poorly controlled inflation. The evidence from this finding is that in the franc zone, the choice of external equilibrium has been made to the detriment of the internal equilibrium. While claiming stability and better control of inflation, the impact on growth, productivity and job creation is relatively small.

Similarly, by looking at some development indicators, it appears that the CFA Franc has not significantly created conditions for sustainable development in Cote d'Ivoire. Having a look at the Human Development Index (HDI), Cote d'Ivoire's indicators show low level of social development compared to Nigeria or Ghana. Indeed, Cote d'Ivoire was ranked 170/188 in 2017 with an index of 0.492, against 0.532 for Nigeria (157/188) and 0.592 for Ghana (140/188). In terms of creating competitiveness of the economy, the Global Competitiveness Index also indicates that the Ivorian economy is less competitive (see Table 4).

Regarding the role of France in the institutional structure of the CFA Franc, even if the official discourses tend to contest its illegitimacy, the reality is that Cote d'Ivoire and the other member countries of the monetary zone are lacking a complete economic and monetary independence. This is all the more evident since all decisions relating to substantial changes in the Central Bank's statutes, and in turn to its operation and monetary policy, are taken unanimously. Clearly, no significant change can be made in case of opposition by the French administrators, especially if the changes tend to impinge the interests of the "currency protector".

In a nutshell, the CFA franc truly provides monetary stability to Cote d'Ivoire and the user countries by protecting them against exogenous shocks, and by imposing on them an economic discipline that many countries of Sub-Saharan Africa trouble to reach. But in the very negative side effect, the influence of France in the operationalization of the currency tend to keep the countries under domination and the functioning principles inhibit their development.

4-2. Policy implications

The particularity of the Franc zone is that it was originally created to serve the economic interests of France. The principle of its creation did not consider the basic requirements for the establishment of a common currency since the member countries were under French rule at that time. But the optimal currency area theory developed by Mundell in the 1960s was insightful on the evidence that a solid and advantageous monetary union is possible only for economically integrated countries as did the European Monetary Union (EMU) in 1999. With regard to the advantages and disadvantages noted in the previous section, it is important to reconsider the terms and conditions of the economic and monetary cooperation between France and Cote d'Ivoire, to achieve a less controversial and more equitable situation. I would suggest actions at different level: national, sub-regional and regional.

- ***At national level***: Prioritizing the implementation of structural policies rather than a unilateral withdrawal from the CFA Franc which could negatively impact the economic performance.

There is no immutable situation in relations between countries. Legally, it is possible to withdraw from the Franc zone. Indeed, Article 13[22] of the Monetary Agreement with France provides for the possibility of denouncing the agreement. In the history of this monetary zone, some countries found untimely and irrelevant to continue using the colonial currency in the aftermath of their independence. It was the case for Morocco in 1957, Tunisia in 1958, Algeria in 1963, Mali in 1962 (but it joined again the Franc zone in 1982), Mauritania in 1972 and Madagascar in 1973. Nonetheless, these countries, in addition of having a full monetary autonomy and unshared decision-

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[22] Article 13: “At the request of any signatory State to this Agreement which considers that the evolution of the system defined by this Agreement is prejudicing or could substantially prejudice its interests, the signatory States shall consult each other forthwith to decide on appropriate measures. If no decision can be taken jointly, any signatory may denounce this Agreement.
In case of denunciation by one Member State of the Union, this Agreement shall remain in force between the other signatory States.
In case of termination of this Agreement, the signatory States shall run consultation forthwith in order to decide on new bases for their monetary cooperation, and eventually, for the terms of a transitional regime”.

making process, still have bilateral relations with France.

However, Cote d'Ivoire has been using this currency for long time. Criticism against the CFA Franc often focus on the political and anti-neo-colonialist complaint. Although the political consequences should not be ignored, economic considerations should be the priority, and not the least, of national action. The important is to have a currency that meets the needs of the Ivorian economy and whose management does not require a prior authorization to act emanating from France.

But in the current circumstances, initiating an individual action consisting in the withdrawal from the Franc zone could be harmful and generate enormous costs for the Ivorian economy. By opting for such a choice, Cote d'Ivoire could not be safe from significant and inevitable monetary imbalance. That is why the focus should be, above all, on the monetary mechanisms' adjustment to Cote d'Ivoire's economic context.

Even so, we should not lose sight of the evidence that a monetary regime does not exclusively determine economic development. Many factors such as economic governance, the diversification of factors of production, the enhancement of competitiveness, the implementation of policies aiming at macroeconomic consolidation and especially appropriate structural reforms are some prerequisites. In other words, monetary policy alone cannot lead to the productivity of the economy, growth and job creation. Production must also be stimulated by an active economic and structural policies.

It should be noted that the countries in the WAEMU monetary zone generally have similar economic structure, with mostly a dominant but fragile agricultural sector and an undeveloped and less productive manufacturing sector. This requires significant structural transformations that aimed to move towards a manufacturing economy of raw materials so that to create more value added and thus create more job opportunities. Certainly, Cote d'Ivoire does not have an economy that can guarantee the stability and credibility of a new monetary system in the long term.

- ***At sub-regional level***: Promoting a concerted action with the other member countries of the WAEMU Monetary Zone that should lead to a revision of the monetary arrangements with France

A currency is an attribute of sovereignty. At this level, the political aspect becomes more crucial. Obviously, countries which withdrawn from the Franc zone have been motivated by the desire to free themselves from any interference in their political and economic choices. Indeed, the role played by France in the operationalization of the CFA Franc undermines those countries' sovereignty. Thus, is is important to modify the institutional structure of the CFA Franc by reforming the BCEAO functioning system so as to give decision-making power to member countries only.

Furthermore, there is a need to revise the objectives of the BCEAO so as to increase its capacity to support economic growth and promote job creation. This implies a deep reconsideration of the constitutional principles of the CFA Franc, and in particular the removal of the operation accounts which retain 50% of the foreign exchange reserves of the member countries. The centralization of these reserves should be done by the

Central bank, since it could be used to finance the economy. One of the consequences of this action will be of course the lifting of the convertibility guarantee which can logically be provided by the Central Bank itself. It is also important to adopt an operating system that exposes the CFA franc less to fluctuations in the anchor currency. As the CFA is pegged to the Euro, it is directly affected by events that occur within the Euro zone. Economic conjuncture within the Franc zone has a lesser effect.

concerning the autonomous monetary policy and the fixed parity regime, the anchoring of the CFA Franc to a currency basket (e.g. Dollars, Euro, Yuan) should be the appropriate option for Cote d'Ivoire and the other member countries. It could actually lead to the definition of a currency which relative value corresponds to the size of their economy.

- ***At regional level***: advocate for a regional currency, including all ECOWAS countries in the context of an expanded monetary policy in West Africa.

The principle of creating a regional currency extended to all ECOWAS countries is likely to provide better economic spinoffs and could to be the ultimate alternative. There is already works underway to achieve this goal by 2020, the launch date of the ECO, according to the recent final statement of the task force set up for this purpose[23]. Repeatedly pushed back due to the difficulties for some countries to meet the economic convergence criteria and sometimes the resilience to abandon the national currency, the

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[23] To ensure the effective establishment of the common regional currency, the Heads of State of ECOWAS have created a task force whose mission is to lead the project to its conclusion.

introduction of the ECO represents in theory a huge opportunity. Indeed, the effective implementation of this project would strengthen economic integration in West Africa. For Cote d'Ivoire, it represents a valuable advantage in terms of trade, insofar as Nigeria is the country's largest trading partner in Africa. The single currency should therefore boost intra-regional trade and reduce transaction costs as well as currency risks. The implementation of the ECO should stimulate growth, boost national and regional productivity and then enhance the competitiveness of the economy of the region.

But, to achieve this goal, the creation of this monetary union must first go through the harmonization of policies and institutional arrangements, and convergence of economies in the region, with macroeconomic criteria to be fulfilled. This necessarily implies a real political will from each country, given the potential costs that this requires (politically and economically).

Fundamentally, the monetary union in West Africa should be a means to ensure price stability (control of inflation), to eliminate the risks of non-cooperative policies (harmonization of national policies for more than integration) or to promote sound public finance (budgetary rigor and macroeconomic convergence).

CHAPTER 5: SUMMARY AND CONCLUSION

This paper has analyzed the CFA franc and the way it affects Cote d'Ivoire's economy and its relations with France. In summary, we saw that in 1945, France set up the Franc zone for its colonies in order to protect its zone of influence against other colonial powers and to facilitate monetary, economic and commercial transactions with the countries under its domination. This new monetary system was entirely favorable to France and absolutely met its political and economic interests. Cote d'Ivoire, as well as all other French colonies in Africa were systematically subjected to the monetary regime decided by the colonial ruler.

In the 1960s, after the wave of independence that freed African countries from the colonial yoke, some countries, including Cote d'Ivoire, maintained ties with France in order to benefit from its assistance in a development perspective. In so doing, many colonial pacts remained into force, including the CFA franc, kept as national currency. The pre-independence monetary system remained in place with its same principles. France strategically maintained its influence over the area, although these countries had freedom to manage and administrate their economy. In 1962, the first monetary cooperation agreements (post-independence) were concluded and enshrine the initial principles of the CFA Franc. In West Africa, Cote d'Ivoire and other countries (Mali, Togo, Benin, Niger, Burkina Faso and Senegal) established the West African Monetary Union (WAMU) in 1963. The Central Bank of West African States (BCEAO) headquarter, initially located in France, was transferred to Dakar in Senegal in 1969.

On December 4, 1973, new monetary cooperation agreements were concluded, with no significant changes in the CFA Franc functioning principles: fixed exchange rate with the French Franc, guarantee of convertibility by France, free transferability, deposit of part of the foreign exchange reserves to the French Treasury in return for the commitment to guarantee the CFA Franc convertibility. Meanwhile, the monetary mechanism provided to France a strategic position in the Central Bank as well as an extremely important decision-making power over monetary regime matters and any changes that could be done. Also, another feature that should be mentioned is the creation of the West African Economic and Monetary Union in 1994, which strengthened the economic integration between Cote d'Ivoire and the other countries of the Union and paved the way for the development of intra-regional trade.

Although public views basically seem to be pessimistic about the CFA Franc, the overall analysis shows that having the CFA franc as a common currency has allowed Cote d'Ivoire to form with other countries of the same region an economic and monetary union, favoring their economic integration. The CFA franc ensures monetary stability and allows Cote d'Ivoire to control the inflation, thanks to a tight regional monetary policy framework. It has contributed to the coordination of macroeconomic policies of WAEMU member countries in an almost interdependent sub-regional economy. The fixed parity with French franc and later on with Euro prevents the CFA franc from speculation in foreign exchange market. Moreover, it facilitates trade between Cote d'Ivoire and France (also with EU countries) and prevents risk and uncertainty in transactions.

However, the CFA Franc system has also shown its limits in the sense that it does not provide a long-term internal economic equilibrium. The economy of Cote d'Ivoire is still unproductive and lacks international competitiveness. The principles governing the use of the CFA Franc have largely contributed to this economic underperformance. Moreover, adopting this currency allowed Cote d'Ivoire to have a solid cooperation with France, which is its main economic partner. But the study also reveals that the gains from this cooperation are not equitably distributed, and that France is benefiting more.

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ANNEXES: Survey results

Annex 1: General Information about the interviewees

Section	**Number of interviewees**	**Percentage**
Nationality		
Ivorian	105	98.2%
Burkinabe	1	0.9%
Cameroonian	1	0.9%
Total	108	100%
Education Level		
High School	14	13%
Bachelor / Master	75	67.6%
PhD.	7	6.5%
Other	14	13%
Total	108	100%
Area of competence		
Economy	28	25.9%
Law	25	23.1%
Social science	8	7.4%
Taxation	5	4.6%
Other	42	38.9%
Total	108	100%
Sector of Professional Activity		
Public Sector	62	57.4%
Private sector	28	25.9%
Bank and Finance	8	7.4%
Student	7	6.5%
Others	3	2.8%
Total	108	100%

Annex 2: General or relative knowledge about the CFA Franc

whether the interviewee is informed about the CFA franc as CI's national currency or not		
Yes	No	Total
100%	0%	100%
whether the interviewee is aware of the existence of the WAEMU monetary zone or not		
Yes	No	Total
100%	0%	100%
whether the interviewee is aware of the France-CI monetary arrangements or not		
Yes	No	Total
84.3%	15.7%	100%
whether the interviewee is aware of the pegging of the CFA Franc to Euro and guaranteed by France or not		
Yes	No	Total
96.3%	3.7%	100%
whether the interviewee is aware of the origins of the CFA Franc or not		
Yes	No	Total
91.7%	8.3%	100%
whether the interviewee has ever used the CFA franc outside CI or not		
Yes	No	Total
56.5%	43.5%	100%

Annex 3: Opinions about the operating principles of the CFA Franc and the role of France

The convertibility guarantee provided by the French Treasury through the operation account mechanism strengthens the credibility of the CFA Franc.					
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
13.9%	36.1%	30.6%	13.0%	6.5%	100%
The principle of fixed parity is the guarantee of the monetary stability of Cote d'Ivoire and the other member countries of the Franc zone					
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
13.0%	33.3%	15.7%	4.6%	1.9%	100%
The principle of free transferability favors capital flight from Cote d'Ivoire and other member countries of the Franc zone to France					
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
39.8%	38.0%	15.7%	4.6%	1.9%	100%
The operation account constitutes a confiscation of the monetary reserves of Côte d'Ivoire and the other countries members of the franc zone.					
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
59.3%	20.4%	12.0%	4.6%	3.7%	100%
The Monetary System of the Franc Zone is de facto controlled by France					
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
59.3%	25.9%	5.6%	6.5%	2.8%	100%
French representatives, appointed by the French Government in the decision-making bodies of the BCEAO challenge the monetary sovereignty of member states, including Cote d'Ivoire					
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
63.0%	22.2%	7.4%	6.5%	0.9%	100%
Although ensuring the guarantee of the CFA Franc, France should not have a right of veto on the questions related to the modification of the statutes of the BCEAO					
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
70.4%	18.5%	5.6%	5.6%	0.0%	100%

Annex 4: Views on the economic benefits related to the use of the CFA Franc

Does the CFA Franc guarantee the Ivorian economic, monetary and financial stability?			
Yes	No	Neutral	Total
37%	51.9%	11.1%	100%
Is the CFA Franc a hindrance for the Ivorian economy?			
Yes	No	Neutral	Total
59.3%	33.3%	8.3%	100%
Do you consider satisfactory the economic, monetary and financial cooperation with France?			
Yes	No	Neutral	Total
12%	84.3%	3.7%	100%
Do you think France continues to exploit Cote d'Ivoire through the operating mechanism of the CFA Franc?			
Yes	No	Neutral	Total
86.1%	8.3%	5.6%	100%
Should Cote d'Ivoire withdraw from the CFA Franc?			
Yes	No	Neutral	Total
62%	20.4%	17.6%	100%
Do you think a regional currency, extended to the whole ECOWAS could be more beneficial to Cote d'Ivoire?			
Yes	No	Neutral	Total
78.7%	15.7%	6.5%	100%

논문 초록

본 논문은 아프리카 프랑화 지역의 회원국으로서의 비용과 편익을 중심으로 통화 및 재정 관련 사항에서 코트디부아르와 프랑스의 양자 관계를 검토한다. 1945년 프랑스는 본국의 아프리카 식민지에서 통용될 법정화폐로 CFA 프랑을 발행했다. 독립 이후에도 코트디부아를 포함한 몇몇 과거 프랑스의 식민지였던 아프리카 국가들은 CFA 프랑을 국가통화로 사용하기로 했다. 이는 해본 국가 간 경제, 통화 및 재정적 협력에 관한 협정의 체결을 통해 법적 당위성을 확보하게 되었다.

CFA 프랑과 프랑스와의 관계의 경제적 효과를 토대로 본 질적 분석은 코트디부아르가 CFA 프랑을 통하여 동 지역에 있는 타 국가들과 경제 및 통화 동맹을 맺음으로 경제통합을 이룰 수 있었다는 것을 발견했다. CFA 프랑의 사용은 견고한 지역 통화정책체계를 통해 코트디부아르의 통화 안정성을 보장하고 물가상승을 통제할 수 있게 해주었다. 프랑스 프랑, 그리고 향후 유로와의 고정환율은 CFA 프랑에 대한 외환시장에서의 투기를 방지하였다. 추가로 이는 코트디부아르와 프랑스를 포함한 유럽연합국가 간의 무역을 촉진했고 거래에서 위험과 불확실성을 감소시키는 역할을 하였다.

한편, 본 연구는 CFA 프랑의 사용이 코트디부아르에 가져오는 손실과 불이익 또한 발견할 수 있었다. CFA 프랑의 운용체계는 대내적 자금조달에 제약을 가한다. 자유 교환성과 자유 대체성의 원칙은 코트디부아르에 대한 프랑스의 투자를 쉽게 하면서 프랑스로의 자본도피 또한 가능케 한다. CFA 프랑과 유로의 고정환율은 환율에 있어서 과대평가를 일으킬 뿐 아니라 아프리카 프랑화 지역의 경쟁력을 약화하여 무역실적에 큰 타격을 준다.

코트디부아르를 포함한 아프리카 프랑화 국가는 여전히 경제 및 통화의 관점에서 독립성을 보장받지 못하고 있다. 화폐 운용에 관한 프랑스의 영향은

여전히 코트디부아르가 프랑스의 통화 지배하에 있으며 CFA 프랑이 원칙적으로 코트디부아르의 경제발전을 억제한다는 인식을 준다. 경제 안정성과 물가상승률의 통제에 관하여 긍정적인 영향이 있는 반면 경제 성장과 생산성 확대, 일자리 창출에 대한 CFA 프랑의 영향력은 비교적으로 낮다.

그러므로 본 연구는 3개 수준에서의 행동적 접근을 제안한다. 첫 번째로 국가의 수준에서는 생산성 확대와 경제 성장 및 일자리 창출을 위해 결합적 및 구조적 경제개혁을 채택하여 이행하는 것이고 두 번째로는 서아프리카경제통화연합의 지역적 수준에서 CFA 프랑의 운용체제의 개혁에 대한 일치된 행동을 채택하여 각 국가의 경제에 반영하는 것이며 마지막으로 더 넓은 지역적 수준에서 서아프리카 경제 공동체의 공동통화를 생성하는 것이다. 마지막 수준에서의 행동은 CFA 프랑의 소멸을 의미하는 바이며 이를 위해서는 회원국 간의 효과적인 수렴이 필요할 것이다.

실마리어: 프랑스, 코트디부아르, CFA 프랑, 아프리카 프랑화 지역, 통화동맹, 공동통화, 경제적 성과, 통화교환성, 고정평가, 환전제약가능성

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