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ABSTRACT

The European Union (UE) model of regional integration is the only existing arrangement that extended beyond economic objectives while remaining viable. It is also the most replicated model worldwide (e.g. MERCOSUR, WAEMU, CAEMC, African Union), although these copies have only been partially achieved. The paper addresses the impact of the EU on developing countries from the angle of its influence on regional integration processes. It particularly looks at the relationship between the EU and the West African Economic and Monetary Union (WAEMU). The paper is organised along the three dimensions of the replicability of a regional integration model. Firstly, the histories of the construction of the EU and the WAEMU respectively, as well as their different trajectories are presented (part 1). Secondly, the issues related to the replication of the EU institutions are analysed, under the two dimensions of the EU rules that were transposed to the WAEMU and the constraints in the WAEMU that make impossible such a replication (part 2). Thirdly, the asymmetry between the EU and the WAEMU is examined under two broad aspects, macroeconomic and financial, and the current EU regional policies. Regional integration, as well as its replication, mobilises the three dimensions of institutions, economies and political economy (part 3). The current changes in the EU model may have a direct impact on the WAEMU and on African regionalism at large.

INTRODUCTION

The European Union (EU) model has inspired many schemes of regional integration in other parts of the world. The question of its replicability is therefore an important issue. The EU model is the only existing arrangement that extended beyond economic objectives while remaining viable. Moreover, EU external policy gives priority to supporting regional integration outside of Europe, especially in developing countries. Transferring the EU regional integration model is a complex operation because the model partly depends on a context and a combination of special conditions - political, economic, social -, which are unique to Europe and did not emerge elsewhere. Yet regional integration may work only if local specificities are taken into account within the integration process.

The impact of the European Union on developing countries is analysed from the angle of its influence on regional integration. On the one hand, the EU has constituted a model of regional integration for a certain number of developing countries, particularly in French-speaking Sub-
Saharan Africa. Despite many difficulties this is still the case, as is shown by the model of organisation - explicitly copied from EU objectives and institutions - that was chosen by the African Union, which superseded the Organisation of African Unity in 2002. On the other hand, the adoption of the EU model has shaped these regional groupings of developing countries in such a way that the relationships between them are not symmetrical, as this adoption did not help reduce pre-existing economic inequalities. Indeed, the relationships between the EU and supposedly analogous regional arrangements in the developing world are characterised by clear asymmetries. The latter stem from the constraints on the replicability of the EU model itself. While some institutions and rules originating from the EU model were fully transferred to other regional arrangements in specific domains, other sets of rules did not exist in the EU model: they initiated or reinforced political and economic asymmetries. asymmetries also stem from the heterogeneous historical, economic and political contexts of these regional arrangements, as well as from global power relationships between industrial countries and developing countries, which were moreover often colonised by the former.

This article analyses the case of the WAEMU (West African Economic and Monetary Union), which was explicitly inspired by the EU model. The WAEMU is an interesting case, as it includes both positive and negative achievements. Regionalism may be imposed from above and not correspond to any tangible reality: e.g., the CAEMC in Central Africa or the Pacific countries. The WAEMU is the continuation of previous regional arrangements and its member countries have possessed a common currency – the CFA Franc - since 1948, when the Franc Zone was created. This contributed to a mode of integration that has been effective at specific levels, such as monetary exchanges and the financial system. Compared to other types of relations between the UE and developing areas (e.g. MERCOSUR), the link between the Euro and the CFA Franc creates a higher level of relations between the EU and WAEMU. The replicability of the EU model may be viewed along at least three dimensions: the institutional-legal model, the economic model, and the political model. The paper shows that the relationships between the EU model and the WAEMU regional arrangement can be analysed, firstly, as a transfer of rules to the WAEMU, in the dimensions of legal construction, trade and political economy, respectively; and secondly, as an asymmetrical relationship, in the dimensions of the monetary and regional policies.

The paper assesses the viability of the transposition of the EU model to the conditions of developing countries, using the case of West Africa, as well as the conditions of its “ownership” given the constraints that stem from local institutions, economics, and political economy. A key issue is that some features are common to the EU and the WAEMU models, e.g. the subordination of the effectiveness of economic integration to political will and political integration. In another regard – the sequencing of monetary, economic, and political integration (the latter being a virtual objective for both arrangements) – the WAEMU and the EU may be viewed as chronologically inversely symmetrical, e.g. monetary integration as a starting point, or a later stage. The influence of the EU on the WAEMU has been ambivalent. Indeed, the EU was initially built on self-interested and national considerations. The EU supports an artificial regionalism, as this regionalism pushes the Africa-Caribbean-Pacific (ACP) countries to integrate, but from the outside.

In line with the three dimensions of replicability, the paper is organised as follows. Firstly, it presents the history of the construction of the EU and the WAEMU respectively, as well as their different trajectories (part 1). Secondly, the issues related to the replication of the EU institutions are analysed, under the two dimensions of the EU rules that were transposed to the WAEMU and the constraints in the WAEMU that make impossible such a replication (part 2). Thirdly, the asymmetry between the EU and the WAEMU is examined under two broad aspects, macroeconomic and financial, and the current EU regional integration policies (part 3). Regional integration, as well as its replication, mobilises the three dimensions of institutions, economies and political economy. Despite obvious differences and in some domains reverse
trajectories, economic integration requires political integration in order to be fully effective, and the relationships between regional blocs are expressions among others of global asymmetries and power relationships.

I. HISTORICAL PERSPECTIVES: THE EU AND THE WAEMU

The history of the construction of the EU and the WAEMU followed different trajectories from the outset. The EU was brought about by a wilful process, even if it has remained a functional construction and is not yet politically integrated. The WAEMU emerged from a colonial institutional legacy, which is embodied in the Franc Zone.

1. 1. The EU

The European Community - and then the European Union - was built through the integration of economic and sectoral policies. Law constituted the other pillar of European integration. According to a functionalist approach, political integration should have followed from economic solidarity. Further evolutions have shown the limitations of this approach and demonstrated the necessity of a true political will, not only to achieve economic integration but also to deepen the construction of the EU. Current debates on the future of the European Union focus on the nature of the organisation. The present-day thinking on the capacity of the EU model to be “exported” to other regions has therefore been affected by these ongoing changes.

1. 1. 1. A pragmatic approach of the European construction

European integration is an endogenous process, i.e. it stems from a collective and autonomous political project and is not determined by external pressure. From the outset and on account of political goals European construction took an economic path. The “founding fathers” choose a pragmatic process. “Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity”. The pooling of resources - and especially of coal and steel production - was viewed as a precondition for peace and stability. After the failure of the European Defence Community in 1954, it was acknowledged that a construction through political channels was premature. The functionalist approach was then definitively preferred to the federalist one. This functionalist approach favours a gradual transfer of sovereignty from national to Community level. It recommends unification through the integration of different sectors of member states economies (European Coal and Steel Community, European Atomic Energy Community, European Economic Community). Member states set about removing trade barriers between them and forming a “common market”. Sectoral policies were progressively developed in a wide range of fields such as agriculture, transports or fishing. Through a spillover effect, the competence fields of the Community progressively extended to policies such as development, competition or environment. European functionalists upheld that political integration would proceed from economic solidarity. The founding fathers were in fact pragmatic federalists who decided to use

1 See Claey and Sindzingre (2000a and 2000b), on which some parts of the paper rely heavily; the authors thank Stephen Dearden for his very relevant comments on a previous version, though the usual caveat applies.
2 Petiteville (1997), who defines four models of regional integration: respectively, the strategic opportunity, the reactive integration, the tagging-along attitude and the endogenous integration models.
4 Cole and Cole (1993, pp. 7-8). The proposal was rejected by the French parliament, which saw it as a threat to national sovereignty. It is not until the 1990s that cooperation in the area of defence and security started again.
5 Quermonne (1998, p. 75).
the functionalist method. Functionalism was originally not a theory of European integration but a theory of the development of technical international organisations, structured on the basis of functional principles, and performing welfare tasks. In creating the European Coal and Steel Community, Jean Monnet and Robert Schumann opted for the functionalist method – focusing on technical and sectoral integration – while affirming their federalist will. In that way, Monnet and Schumann opposed D. Mitrany’s objective, which was the end of territorially-based authorities but not political integration.

1.1.2. A legal framework

Beyond economic integration through common sectoral policies, Europe has also endowed itself with a juridical architecture. The European Community is a “law phenomenon” with three features relating law to the EC. Firstly, the EC proceeds from law: European unification is based on law and not on constraint. Secondly, the EC produces law: primary legislation (Treaties), general principles of law, and secondary legislation. Thirdly, the EC is a juridical order – relations between the people of the member states are ruled by law. The Community juridical order and the jurisdictional system that is headed up by the European Community’s Court of Justice constitute the most integrated element of European construction. The European integration generated a unique institutional architecture, which still remains a model for any multi-level political system, and “the level of institutional stability and complexity in the EU is far greater than in any other international regime”. Member states have accepted transferring a part of their national sovereignty to European institutions. The Council of the European Union, the European Council, the European Parliament, the European Commission and the Court of Justice complement one another.

The Treaty on European Union which entered in force in 1993 represented at that time the largest reform ever as well as an ambitious programme: monetary union by 1999, new common policies, European citizenship, a Common Foreign and Security Policy (CFSP) and an internal security policy. Strategies of integration and cooperation have been progressively combined in order to generate a “strategy for union”. The EU design relies on three pillars: the primary community pillar to which is added the Economic and Monetary Union (EMU); the CFSP; and cooperation in judicial and internal affairs. The intergovernmental decision-making procedure is still required to deal with the last two pillars. The single currency - the Euro - completes the common market and strengthens the economic weight of Europe. It was viewed as a conversion operation rather than a monetary reform – “an evolution and not as a revolution”, aimed at stability and credibility vis-à-vis non-European countries. In terms of replicability as well as external influence, the part of the Maastricht Treaty dedicated to the EMU has a direct or indirect impact on some treaties and regional organisations in the world, although the EMU is the product of internal objectives and policies of member countries.

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7 According to his theorist, David Mitrany; see Mitrany (1966); see Cram (1996, p. 42).
8 As said by R. Schumann in the Declaration of 9 May 1950, the ECSC is “a first step in the federation of Europe”.
12 Hix (1999, p. 2).
13 Fontaine (2002).
16 Silguy (1999).
1.1.3. Prospects

The addition of ten additional countries has obliged the EU to reform its institutions, with the European Convention drafting a Constitutional project for the enlarged Europe. The subsequent change in the EU’s organisation has been hotly debated, in particular the possibility of organising along federalist lines. Member states such as Britain or Denmark absolutely refuse any element of federalism, which means for them a centralised super-state based in Brussels. A truly federalist construction implies a dual representative system: representation of the population – which is the role of the European Parliament – and representation of the states – as in the case of the United States Senate or the German Bundesrat. The drafted constitutional treaty does not accord advantages to the smaller member states. It is not a federal construction, although it refers to one basic federalist principle: “united in its diversity”, and with the proposal by Valéry Giscard d’Estaing implying a centralised model. The draft Constitution is the beginning of a long process. It constitutes the basic document for the Intergovernmental Conference and with decisions being taken by member states only. Such an institutional change, which was initiated by the Nice Treaty and pursued by the Convention, will obviously have an impact on the “exportability” of the EU model to developing countries.

The project creates a European Council Chairman and reduces the size of the Commission to fifteen members. It seems that the Community has been preserved and that a fully intergovernmental approach has not been adopted, although some ambiguities remain. The changes in the European institutional structure will above all radically modify the way the EU conducts its external relations. The status of the future “Union Minister for Foreign Affairs” is not clearly defined and foreign policy is still bound by the unanimity voting principle which considerably reduces the EU capacity to be a major international actor. Jurisdictional conflicts may arise between the “Mr/Ms Europe” – the European Union’s President –, the President of the Commission and the Union’s Minister for Foreign Affairs (the latter is also the Commission’s Vice-President). There is no clear division of responsibilities and power between the Council and the Commission and conflicts may appear in foreign and security policy, which are sensitive areas.

These ambiguities contrast with the EU’s ambition and claim to be a worldwide model of regional integration and to spread its message and values. Among others, the members of the European Convention were to draw up a proposal on “how to develop the Union into a stabilising factor and a model in the new world order”. Indeed, Part III of the draft treaty relating to “the policies and functioning of the Union” stipulates: “The Union’s action on the international scene shall be guided by, and designed to advance in the wider world, the principles which have inspired its own creation, development and enlargement: democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, equality and solidarity, and for international law in accordance with the principles of the United Nations Charter. The Union shall seek to develop relations and build partnerships with third countries and international, regional or global organisations which share...
these values. It shall promote multilateral solutions to common problems, in particular in the frame work of the United Nations\textsuperscript{26}.

1.2. The WAEMU

In West Africa, the WAEMU arrangement is based on an older model of functionalism and functional integration, i.e. which works via economic integration, as it was built before the current changes in the EU model.

1.2.1. A monetary integration with colonial origins

The Franc Zone is an arrangement between France and 15 African countries, and includes two monetary unions (plus the Comoro Islands, which has its own “Franc Comorien”) managed by two central banks, the BCEAO for the WAEMU (8 countries) in West Africa, and the BEAC for the CAEMC (6 countries) in Central Africa\textsuperscript{27}. The Treaty creating the WAEMU was launched in January 1994 (seizing the opportunity of the devaluation of the CFA Franc), but its organisation relied on a pre-existing regional arrangement, the West African Monetary Union (WAMU or UMOA, Union Monétaire Ouest-Africaine). The CFA Franc has been the key instrument in cementing the relationships between French-speaking West African countries during French colonial rule. Before the WWII, the currency circulating in the French colonies - e.g. Afrique Equatoriale Française (AEF) and Afrique Occidentale Française (AOF) - was issued by a private bank, the Banque de l’Afrique Occidentale (BAO). In December 1945, the Franc CFA was created and its issuing became the privilege of a French state agency, the Caisse Centrale de la France d’Outre-Mer. The CFA Franc is managed by the French Treasury, which guarantees its full convertibility via an account called “compte d’opérations”, in which is a unique arrangement. Therefore, the Franc Zone is a budgetary arrangement between French-speaking African states and the French Treasury, and not a monetary arrangement with the Bank of France\textsuperscript{28}. After the 1948 devaluation of the French Franc, the CFA Franc remained pegged to the French Franc at the same parity during 46 years, from 1948 until 1994 (1FCFA=0,02 French Francs after the French devaluation in 1960)\textsuperscript{29}.

Because of its original mechanisms – the peg to the French Franc through a fixed exchange rate backed by the French Treasury and the associated monetary discipline -, the Franc Zone has been partially protected from recurrent monetary crises, e.g., the hyper-inflation that affected other African countries. This arrangement functioned well during the years of prosperity in France after WWII and in the CFA zone during the period of growth, which lasted from the years of independence around 1960 until the second oil shock in 1979 and the counter-shock in 1986, and the subsequent decline of the international prices of primary commodities: e.g., at 1990 prices, cocoa and robusta coffee prices were respectively 240 and 330 in 1970 and 111 and 63 in 2001\textsuperscript{30}. As diversification did not occur and primary commodities remained the main source of foreign exchange, at the end of the 1970s the Franc Zone countries were affected by a severe drop in the terms of trade. Balance of payments and budgetary deficits all exploded around 1980 or 1986, which obliged the Franc Zone countries to request financing from the Bretton Woods institutions, at the price of implementing the conditionalities of stabilisation and structural adjustment programmes. Over time the downside became increasingly apparent, i.e. the loss of sovereignty and flexibility over monetary and fiscal policies, and exposure to economic shocks stemming from the variations in the French Franc exchange rate vis-à-vis the

\textsuperscript{26} Ibid, Part III, Title V, Chapter 1, article III-193. 1, p. 154.
\textsuperscript{27} Banque Centrale des Etats d’Afrique de l'Ouest and Banque des Etats d’Afrique Centrale.
\textsuperscript{28} Guillaumont and Guillaumont (1989), Fouda and Stasavage (2000).
\textsuperscript{29} On the history and institutions of the Franc Zone, Godeau (1995).
\textsuperscript{30} World Bank, World Development Indicators 2002, table 6.4.
US dollar. However the CFA Franc remained pegged to the French Franc, creating an increasing gap between the CFA Franc exchange rate and the countries’ economic fundamentals as well as CFA overvaluation. The economic degradation that started in the 1980s was also due to poor economic policies and budgetary mismanagement that interestingly has not been impeded by the written rules of the Franc Zone and their ceilings on authorized budget deficits. Likewise, the monetary union did not discipline the expansion of foreign borrowing, nor prevent the debt explosion of some WAMU countries.

In January 1994, the unsustainable character of the deficits despite the permanent support by the French Treasury became evident, and the CFA Franc was devalued by 50%. The devaluation has been accelerated by the advent of the Euro, in addition to the pressure of the Bretton Woods institutions, the adoption by France of the so-called “Abidjan doctrine” - which conditioned the French aid to agreements with the Bretton Woods institutions - and the extreme and costly budget degradation of certain countries, for France and especially the Ivory Coast. The uniform rate of the devaluation did not take into account the differences between countries, with some applying rigorous policies and others lax ones. Likewise, financial and economic indicators were not homogeneous and displayed different levels of appreciation of their real effective exchange rate: in 1993, from 30% in the small countries of the Franc Zone to 60% in the larger ones. The deficits that characterised the Ivory Coast – and to a lesser degree, Cameroon - were the reference of the devaluation, as the Ivory Coast was the “flagship” country and housed important French interests, both public and private. This created some bitterness from the other WAEMU countries. The Treaties creating the WAEMU and the CAEMC (replacing, respectively, the former WAMU and UDEAC, Union Douanière des Etats d’Afrique Centrale) in association with the devaluation were thus a political signal for the governments of the Franc Zone. However, the devaluation only modified the parity between the CFA Franc and the French Franc. The general institutional framework between the French Treasury and the Franc Zone countries remained broadly unchanged, with the French Treasury still guaranteeing the parity, international credibility of the CFA and the operations of the central banks.

The WAEMU remains a regional integration arrangement that was originally based on the sharing of a common currency by developing countries and guaranteed by a highly developed country, i.e. France. Among other particularities of this regional arrangement, France was the former colonizer and did not belong to the currency arrangement on a symmetrical basis, as it was the guarantor, while the respective currencies of France and the Franc Zone could not be used in the other’s territory. In the legal texts, the CFA countries seem to be responsible in their monetary policy. However, the mechanisms that underlie the Franc Zone maintain numerous channels for colonial dependence vis-à-vis the former colonial power. Because of the obvious asymmetry between France and the African countries in terms of economic weight as well as post-colonial dependence, the autonomy of the African governments’ policies is tenuous: French economic policies determine the international value of the CFA Franc, while Franc Zone countries depend on the international prices of commodities for their balance of payment and hence the sustainability of their exchange rate, which is mostly expressed in US dollars. Likewise, their domestic economic policies are massively decided by the programmes of the Bretton Woods institutions.

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31 Fouda and Stasavage (2000).
32 Lelart (1998); Lelart (2000).
33 Devarajan and Hinkle (1994, p. 139).
34 On the Franc Zone, among a very abundant literature, Gérardin (1989); Haudeville (1993); Godeau (1995); Sandretto (1994); Semedo and Villieu (1997).
1. 2. 2. From monetary integration to attempts of economic integration

The Franc Zone is fundamentally different from the European project. It represented an empirical (i.e. ex post) construction in its origins and evolution since the colonial era, with its institutional rules resulting from series of transformations from its initial status as a monetary and financial institution aiming to facilitate trade between France and its colonies. The stabilisation and adjustment programmes launched in the 1980s were not conceived in a regional perspective. The Bretton Woods institutions devised the conditionalities and reforms within national frameworks, unaware of their effects on neighbouring countries. WAMU’s neighbours, Ghana and Nigeria, were also placed under stabilisation and adjustment programmes and devalued their currencies – in 1983 for Ghana and 1986 for Nigeria. As the dense informal trade between them and the WAMU countries was strongly determined by price effects, these devaluations significantly eroded the competitiveness of the WAMU’s formal private firms. In the 1980s, deterioration in economic performance and pressure from the Bretton Woods institutions constituted incentives for WAEMU countries to accept a more effective regional integration, although the integration process mostly remains the outcome of external support: by the EU, the Bretton Woods institutions, and/or other bilateral donors. Regional integration is not a new phenomenon in West Africa and sometimes existed in the precolonial era\(^{35}\), but the current process of integration has been viewed as “collective mimicking”\(^{36}\), because it is the outcome of external support. France, the World Bank, and the EU Commission thus participated in the preparation of the WAEMU Treaty, as they did for the other economic and institutional reforms\(^{37}\). However, external donors, bilateral and multilateral, maintain strong disagreements, e.g. in regard to devaluation. This problem of coherence aggravated WAEMU economic problems – pessimistic anticipations of private agents, collapse of investment, capital flight.

After a relative lack of interest towards regional integration, the Bretton Woods institutions and the other donors progressively accepted its necessity. In the 1990s economic research also became more favourable to regional integration schemes - which did indeed multiply - such as trade blocs and free trade areas. The economic failure of African states also contributed to a shift in the thinking of international financial institutions in regard to the pooling of resources and the constitution of larger markets, which was coupled with an increasing “aid fatigue” in the donor countries. The share of Sub-Saharan Africa in world trade had become tiny and continued to diminish. The share of the WAEMU exports in world exports was in 2000 0.1%, as in 1990, from 0.3% in 1970 (the share of the EU was in 2000 36%)\(^{38}\). The Franc Zone increasingly appears as an arrangement that is supported from the outside. Following monetary integration, economic integration has become a condition of the viability of the Franc Zone and hence the WAEMU.

2. The transfers of rules

The transfers of EU rules that were effectively adapted to the WAEMU are analysed here, as well as the cases of failure.

\(^{35}\) E. g., Ghymers (1994).
\(^{36}\) Petiteville (1997).
\(^{38}\) World Bank, *World Development Indicators 2002*, table 6.5.
2. 1. The EU rules that were adapted

The elements of the EU rules that have been effectively “exported” into the institutional design of the WAEMU are examined here, under their dimension of imitation as well as contrast. The WAEMU legal construction and institutional architecture are the outcome of a transfer of norms that explicitly claim a similarity with that of EU institutions, mechanisms and objectives, as shown by the WAEMU setting down as common policies sectoral policies such as trade and agriculture.

2. 1. 1. A transfer of norms at the legal and institutional level

The WAEMU displays a series of similarities with the EU. Integration starts with treaties which constitute primary legislation, and these legal foundations define Community goals, leading institutions and a calendar. Institutions are supplied with legislative, judicial and administrative power. The WAEMU has transferred EU norms at the level of the legal construction and adopted the UE institutional model, e.g. a Conference of Heads of States, a Council of Ministers, a Commission, a Court of Justice and an inter-parliamentary Committee (which prefigures the Union’s Parliament).

The building of WAEMU integration through legal provisions started with a process of harmonisation of norms aiming at achieving an economic union before the launching of the WAEMU Treaty. As a step in a regional financial system allowing for better savings mobilisation, the WAMU countries initiated this process in Ouagadougou in 1991: harmonisation of insurance law (CIMA, Conférence interafricaine des marchés et des assurances), business law (OHADA, Organisation pour l’harmonisation du droit des affaires en Afrique), accounting practices (SYSCOA, Système comptable ouest-africain) and social insurance (CIPRES, Conférence interafricaine de la prévoyance sociale); creation of regional training centres in economics for the civil servants, regional university courses, and Afristat to collect and harmonise statistical data along the Eurostat model.

The WAEMU Treaty objectives are close to EC ones, i.e. economic integration, and it lists the following priorities: strengthening competitiveness, establishing multilateral surveillance, creating a common market supported by a Common External Tariff (CET), coordinating national sectoral policies, and harmonising legal provisions. Like the EC common market, the WAEMU one relies on the liberalisation of movement for goods, persons, services, and capital, freedom of establishment and freedom to provide services. It took 35 years for Europe to achieve its Single Market (1957-1992).

2. 1. 2. The Economic and Monetary Union

The WAEMU Treaty also reflects EU influence on the economic and monetary domains, although the Franc Zone is far older than the WAEMU itself. The EU is a model for other actors of regional cooperation. In both unions of the Franc Zone the Treaties of WAEMU and CAEMC were inspired by the procedures of the Maastricht Treaty. They establish a multilateral
surveillance on the national policies of the member states, aiming at limiting excessive fiscal deficits (above 3%) and based on a list of variables, e.g. the wage bill and public spending. They also set convergence criteria relative to the public deficit, public debt and price stability - implying the improvement of national statistics - and establish sanctions for states which do not meet the criteria. Franc Zone countries strictly follow the same monetary policies as the ones of the European Central Bank (ECB), which restricts their capacity to define their own monetary policies.

The EU and the WAEMU followed an opposite trajectory, the first one integrating through the economy before becoming a monetary union and the second one being a monetary union that aims at becoming - with the 1994 WAEMU Treaty - a zone of regional economic integration. In the WAEMU as well as the EMU, monetary and/or economic integration preceded political cooperation (which in the case of Europe occurred as soon as 1970, with the European Political Cooperation), not to mention political integration, which remains the most difficult issue, though is ultimately necessary for economic institutions.

2.1.3. Trade policies

The replication of EU mechanisms has also been achieved via WAEMU sectoral policies, especially in considering trade and agriculture as common policies, trade being far more developed than agriculture. The WAEMU Treaty created a common market and a customs union that explicitly followed the EU model. Regional integration implies economic gains and losses. Since Jacob Viner’s seminal theory on customs unions as trade creation and trade diversion, the academic debate reactivated these issues in the 1990s. The number of regional trade agreements has markedly increased – in 2002 these agreements represented 50% of global trade and half of them have been notified to the WTO only since 1990. There are several types of agreements: in terms of increasing integration, tariff agreements, free trade areas, customs unions, common market - which is an objective of ECOWAS -, and economic union – which is the objective of the WAEMU. Regionalism is usually opposed to multilateralism in terms of costs and advantages. Regional integration modifies domestic and international prices, as well as export and import structure. When associated with liberalisation, regional integration reduces the rents of the less competitive firms. For the mainstream economists who generally link growth and trade liberalisation, regional and bilateral agreements are detrimental to growth and welfare, with multilateralism being viewed as the optimal regime. Indeed, regionalism may create significant trade diversion and it is more vulnerable to political economy problems, such as pressure of interest groups in specific sectors. Given the vulnerability of African economies, however, regionalism may be a step towards reaping the benefits of globalisation. Faced with the increasing number of trade blocs that were constituted in the 1990s in Europe, North and South America, and South-East Asia, Sub-Saharan Africa has followed a global trend. It indeed already included a great number of (often ineffective) regional agreements.

Imitating the Rome Treaty, the WAEMU Treaty establishes a common market, a customs union and three types of measures: the harmonisation of legislation – related to taxation, accounting norms, investment, circulation of persons –; multilateral surveillance of macroeconomic policies, coordination and convergence of national policies and economic performances; a common market based on a customs union. The latter’s key pillar is the Common External

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45 Tchiencchron (2000).
46 Viner (1950).
48 Lyakurwa et al. (1997).
49 Among the most well-known, Jagdish Bhagwati or Arvind Panagariya.
51 François and Subramanian (1998).
52 The SACU (South African Customs Union) is the oldest customs union in the world (1910).
The CET cannot generate a higher level of protection according to GATT rules (article XXIV). In the EU, the CET has been one of the main elements of the implementation of the European domestic market. The customs union implemented in 1968 unified the customs territories of member states, and the common external tariff progressively replaced existing customs duties. Since 1975, CET receipts are deposited in the budget of the EU. In the WAEMU, the CET establishes a preferential trade regime for the intra-WAEMU transactions and a common external tariff applicable to third countries imports. It simplifies and lowers tariff rates for most products. The WAEMU Treaty forbids new quantitative restrictions, establishes differentiated tariff dismantling according to economic sectors, the free circulation of capital, and a progressive elimination of trade barriers. Simplified rules of origin have been defined, and products from agriculture, crafts, and manufacturing can circulate without any restriction, provided they originate from the zone. The implementation of the CET is, however, difficult because of economic and political disparities between member states and similarities between their domestic production of manufactured consumer goods (e.g. foodstuffs, cosmetics, and apparel). Governments maintain numerous nontariff barriers (e.g., national standards, quantitative restrictions, roadblocks). In Sub-Saharan Africa, taxation revenues rely heavily on external trade, so fiscal revenues are therefore likely to diminish with lower tariffs. For countries that prosper on re-exporting to other countries (e.g., Benin), the CET implies higher levels of tariffs for some products originating from outside the WAEMU (e.g., textiles). In other countries, lower tariffs threaten weakly competitive local industries. As in the case of the devaluation of the CFA Franc, the Ivory Coast, since it enjoys the most developed industrial sector, obtained larger benefits from the CET than the other countries. The accompanying reforms face many problems, e.g. the strengthening of customs administration, the fight against fraud, the poor capacity of civil services and recurrent political tensions between states.

2.1.4. The common agricultural policy

Agriculture is the other common sectoral policy that confirms the WAEMU’s replication of the EU model. The European Common Agricultural Policy (CAP) has largely achieved the objectives assigned by the Rome Treaty: increasing productivity, stabilising markets, ensuring availability of supplies and guaranteeing farmers’ incomes and reasonable prices for consumers. The CAP is now strongly criticised because of its many negative effects, especially its high protection against some products from developing countries and its costly subsidies that annihilate local production from developing countries. In 1996, the WAEMU took its first initiative in the sector of agriculture, i.e. promoting regional trade in food crops and establishing free trade for non-processed agricultural products and in 2000 provided guidelines for a common agricultural policy. The WAEMU Heads of States endorsed the common agricultural policy (called the PAU, Politique Agricole de l’Union) in December 2001.

In all WAEMU countries, food imports constitute a heavy burden on balance of payments and push to bankruptcy local producers who cannot compete with the subsidised prices stemming from the intensive agriculture of rich countries. The decreasing of food dependency via a reduction of imports is a priority. As WAEMU economies are mainly based on agriculture, harmonisation and transforming national agricultural policies into a common policy could be a strategic goal as it was for the EC in the 1960s, in order to adapt to global competition. The PAU has three broad objectives: achieving food security; increasing agricultural productivity on

53 The tariff rates under the CET are 0, 5, 15 and 20%.
55 International Monetary Fund (2003, p. 21).
56 EEC Treaty, art. 39.
57 UEMOA (2000).
58 Additional protocol n°II to the WAEMU Treaty (chapter 5).
a sustainable base; and improving market conditions for agricultural, breeding and fishing products. Agriculture is at the top of three regional and multilateral agendas: the convergence process between the WAEMU and ECOWAS; the EU-ACP negotiations for the establishment of Economic Partnership Agreements (EPA); the WTO Doha Round – all crucial negotiations as 41% of ACP exports towards the EU were in 1998 agricultural products. The outcomes of the Doha negotiations obviously influence the EU’s CAP and the levels of EU trade preferences and subsidies, hence EU’s agricultural competitiveness, which is detrimental to the economies of the ACP countries. These multiple negotiations may be opportunities for the WAEMU to tighten regional integration but also erode its cohesion. The WAEMU has applied for acceding to the WTO as a Regional Union, which obliges member states (as in the UE) to have a common position, especially on the protection of its internal market in the negotiations with these regional or multilateral bodies.

2.2. The limitations of the transfer of rules

A series of economic and political economy constraints hinder the transfer of EU rules, which refer to three levels. The first set of constraints is inherent in any regional integration process, i.e. the pursuit of national strategies and interests within a multilateral context, or the temptation of free riding. The second set of limitations stems from the EU rules themselves, which are laboriously implemented even by the EU member states. This renders even more problematic the adaptation of the EU model to states in the developing world. Moreover, the latter display obvious differences in their historical trajectories, political norms, and institutional development, e.g. weak capacity of civil services and marked ambivalence towards political integration. The third set of limitations relates to the transposition of rules to developing countries that are devised for countries enjoying a high level of economic development, as well as to the specific economic situation of the WAEMU countries. As it is well-known, the latter are handicapped by, e.g., a strong dependence on external trade and which is moreover oriented outside West Africa – in contrast with the EU -, narrow domestic markets with limited complementarity as WAEMU countries are commodity-exporters, and very poor institutional and physical infrastructures.

2.2.1. The political economy of regional integration

In any regional integration process, politics and political economy issues – at the local, national, and regional levels - constitute causes of failure of transferring institutional schemes. Membership in the EU did not prevent European countries to keep strong political divergences and interests. The lack of coherence between the EU states’ respective aid policies and their trade policies (e.g. the CAP) are well-known. Even for the common policies, such as agriculture or trade, EU states struggle for the maintenance of their interests or foreign policy. It may obviously be worse for matters not belonging to common policies but to national domains because of the subsidiarity principle. In the WAEMU, political economy dimensions and political competition between states have had negative effects since the colonial period. After the independence, the Ivory Coast took on a leadership role due to its close alliance with France, and particularly the French private sector. The deep antagonisms and imbalances thus created vis-à-vis pan-Africanist and anti-colonialist personalities and movements still feed many tensions, which were reinforced by the economic weight of Ivory Coast and the divergent international political allegiances of certain neighbouring countries. The recent regionalisation of the Sierra Leonean, Liberian, and Ivorian civil wars demonstrate the internationalisation of

these conflicting allegiances and alliances. The economic recession of the 1980s exacerbated latent xenophobia and rivalries, which has been obviously detrimental to regional cooperation. Governments often did not support the regional schemes (WAMU, ECOWAS), outside of the resources they offer (jobs, funds), nor reduce the high transaction costs affecting trade - formal and informal - between countries. WAEMU leaders often bypassed the prudential rules of the Franc Zone, especially the ceilings on credit to governments, although the governance structure of the Franc Zone central banks has been reinforced through greater independence and less permeability to political influences. Sound written rules can be accumulated in the design of institutions, but face the weight of interests and historical trajectories.

Regional integration involves dimensions that go well beyond purely economic ones. Economic unification helps reinforce state political stability but economic integration is less optimal in the absence of political integration, or at least political coherence. This is shown by the higher level of integration and trade of currency area members compared to states keeping their sovereign monies, but which is lower than regions within a state. Regional integration easily stumbles over national interests. Within the EU as well as the WAEMU, governments are primarily moved by electoral and domestic politics motives. They are reluctant to transfer sovereignty and practice free riding if politically necessary. Regional governance implies an unusual pooling of national interests that is justified by tradeoffs and the anticipation of advantages (economic, social, of stability, or security). Some member states contribute more to the common budget than others - according to their means - but they also get benefits, and regional integration may even support their legitimacy. The defence of national interests may underlie the defence of apparently common ones: e.g., a common policy such as the CAP was imposed by the General de Gaulle in order to modernise French agriculture. For its part, the United Kingdom considers its contribution to the Community budget to be excessive. European integration progressively enlarged the domains of competence of the EU until the Single Market and the Euro in association with inter-state cooperation at the political level: economic integration evolved together with progressively stronger institutions. The transposition of a similar process to the WAEMU remains difficult.

Besides economic constraints, WAEMU integration is handicapped by political limitations, such as weak institutional capacity of states, their neopatrimonial character and associated redistributive rationales. Personal rule is correlated with low levels of institutionalisation and often with endemic corruption, and political power is viewed as the best way of acceding to state resources. Ethnic or religious tensions express this differential access of particular groups to public resources and they intensified with the economic crisis in the 1980s. Policies are perceived as easily reversible, still more as governments’ room for manoeuvre is reduced by the structural adjustment conditionalties from the 1980s onward. Institutions and economic policies are not credible and lack political legitimacy, and which did not change with the democratisations and multi-party elections of the 1990s. Being prescriptions emanating from abroad and which recommend a minimal state, structural adjustment programmes have accentuated these deficits of credibility and legitimacy. Complementarity - e.g., expressed in flows of migrant labour as from Burkina Faso to Ivory Coast - is hindered by the political domestic interests of the clientes in power and ideologies legitimising discrimination against foreigners. The “ivoirité” ideology in Ivory Coast further deteriorated complementarity when

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63 Fouda and Stasavage (2000).
64 Rose and Engel (2000), Glick and Rose (2001).
65 Even if in the WAEMU (art.49 of the WAEMU Treaty), member states cannot argue from their financial contribution in order to claim particular advantages.
68 Kahler (1995, p. 82).
70 Sindzingre (1998a).
the economic crisis reduced the interest in the “rentier” plantation economy - despite high political risks given the presence of foreigners on its territory, who make up one-third of the population (and which was a key factor in the recent civil war). Countries play their national advantages in the domains of industrialisation or supply of labour, which in times of crises easily leads to nationalistic ideologies. Some states impose sometimes costly resident cards, for extractive as well as control motives. The CET reactivated the bitterness of WAEMU countries towards Ivory Coast, which is the main beneficiary because of its more developed manufacturing sector. Many regional projects, e.g. dams, cement factories, air transportation, have been plagued by political antagonisms, which were pre-eminent over objectives of development. When offered arrangements that could be supra-state public goods and positive externalities, governments tradeoffs privileged domestic policy, maintenance in power, or free riding, e.g., in offering foreign investors taxation exemptions, port facilities, export processing zones, and so on. The free circulation of people was not encouraged in the WAEMU nor in the ECOWAS, although this is a principle of the common market. The Treaties establish freedom of settlement, but governments diverge on their interpretation and apply them arbitrarily. Even national citizens are harassed by the red tape that hampers private activities. Transfers of funds and clearing operations are still laborious, even after the reform of the banking system and the creation of the control body (the WAEMU Banking Commission). The cascade of bankruptcies that affected the state banks in the 1980s made the private banks very cautious.

The existence of the ECOWAS (Economic Community of West African States, group of 15 countries founded in 1975) and the massive presence of Nigeria, which has a greater GDP than the whole WAEMU, politically and economically eroded the cohesion of WAEMU. Nigeria claims leadership and proposed a common monetary zone that would include the WAEMU countries and itself in 2004. At the end of the 1990s, Nigeria represented roughly 60% of ECOWAS population (210 million), 47% of regional GDP, 50% of its industrial potential, over 60% of its graduates. The juxtaposition of two heterogeneous monetary zones – the Franc Zone and its internationally convertible currency (the CFA), whereas the Nigerian naira is not convertible - triggers dense unofficial flows and smuggling of goods and currencies coming from the rest of the world at the borders of WAEMU countries and Nigeria. They make almost impossible the implementation of domestic policies that could be confined within national borders for the small Franc Zones countries. Nigeria is a “natural” part and a major actor of West Africa but is out of the WAEMU. The viability of WAEMU without Nigeria is questionable but it is also unlikely that the ECOWAS could become a larger regional framework with the same level of integration as WAEMU. The EU also includes countries whose economic weight differs greatly. However, Sub-Saharan countries are much poorer and with much less consolidated institutions, and hence are vulnerable to centrifugal tendencies, which notoriously begin within their own borders. The political and economic presence of ECOWAS via the attraction of neighbouring countries not belonging to the Franc Zone (Nigeria, Ghana) works as a rival regional bloc, and which is moreover reinforced by the use of English as a common language.

2. 2. 2. The institutional limitations of the EU model itself

The replication of the EU institutional model of regionalism revealed many dysfunctionings and unexpected effects, despite its functionality and uniqueness. Its adaptation to West Africa is a complex and risky process, as WAEMU countries obviously do not have the same level of institutional capacities and are plagued with bureaucratic inefficiencies, corruption, poor

71 This is developed by Robinson (1996).
74 Sindzingre (2000).
infrastructure, lack of means, and so on. Among the best known flaws of the EU model are the administrative bottlenecks, the permanent hesitation between deepening and enlarging\(^5\), the preeminence of national interests, weak international influence, the emergence of concentric circles, and a multi-level union – e.g. vis-à-vis the Euro or over social issues. Incoherence and red tape are recurrently stigmatised - e.g. the disbursement of the development assistance notoriously takes years\(^6\). The Intergovernmental Conference that prepared the reform of EU institutions accompanying the enlargement has shown the deep divergences between member states about the model of the EU that they wanted. The Amsterdam Treaty opted not to manage the different ambitions and interests of member states - e.g. for the Common Foreign and Security Policy -, which will multiply with enlargement\(^7\). Therefore, for the WAEMU, the question was the replication of a model but without its glaring failures – as it is the case for the new African Union (AU). For some observers, an important flaw in the EU model has been its reliance on a “bureaucratic road to unity” - for African rulers, the AU may be viewed as the prospect of creating an additional bureaucracy and patronage networks -, and a gradual increase of regional trade and industrialisation is a more effective strategy\(^8\).

The WAEMU has a major institutional difference with the EU, i.e. different weighing of representation and decision, which are crucial for the functioning of any institution. The EU-15 has 20 commissioners – two for France, Germany, Italy, Spain, the United Kingdom and one for the other member states\(^9\) -, while the WAEMU has one commissioner per state whatever its economic development or demography. Another difference refers to the domains of integration. The WAEMU followed the scheme of the European Community – as in the Rome Treaty – and of the Economic and Monetary Union, i.e. the first pillar of the EU, and ignores political questions such as the Foreign Policy and Common Security, as well as police and judiciary cooperation. The WAEMU conceives integration as an economic process and the attractiveness of the EU model stemmed from its economic aspects – indeed, despite a few transfers of sovereignty, EU political integration does not go beyond political cooperation. This highlights the importance of the rhythm of integration when it replicates models that were built elsewhere. Finally, EU integration follows a “variable geometry” that accords concentric circles and flexibility in the EU membership, which allows for differences within an increasingly heterogeneous Union while not impeding integrative dynamics\(^8\). Some states chose not to adhere to the Euro zone nor to the social agenda. Although presented as an innovation, however, “variable geometry” may be viewed as a solution by default that expresses a failure in political will, which is more pronounced in some member states. A full replication of the EU model would have led to a flexible WAEMU according to the domains of competence: e.g., some member states not belonging to the Monetary Union of the Franc Zone, as for the EU countries that do not belong to the Euro zone. Each WAEMU state may participate in one or many policies of the Union as an associate member\(^8\). Flexible adhesion is presented as a means for the WAEMU to be a catalyst of the regional integration in West Africa\(^8\). Despite the positive dimension of inclusive integration, possibilities of adaptation, or even derogation, to common policies can be viewed as a weakness of the model. In the institutional game between its two main community bodies – the Commission and the Council – the WAEMU is affected by four problems which are familiar to the EU: transfers of sovereignty (inegalitarian according the

\(^{75}\) Polacek (1999), who sees the enlargement as a political imperative for the EU; see also Derisbourg (2000).

\(^{76}\) As pointed by Chris Patten, then Commissioner for External Relations, the EU needs some 8 years in order to fulfil its commitments vis-à-vis the Mediterranean countries des pays (quoted in Le Monde, 12 September 2000); see also the ECDPM website on the EU development policies, e.g. Bossuyt et al. (2000).

\(^{77}\) Serre (1999).

\(^{78}\) Sanou Mbaye, former economist with the African Development Bank, Bangkok Post, 24 September 2003, who adds that “copying the EU blueprint means that nothing has been learned from the past”.

\(^{79}\) Which may become 15 commissioners, according to the European Convention.

\(^{80}\) Serre (1999); see the Amsterdam Treaty and the enhanced cooperation, European Commission (1997b).

\(^{81}\) Article 104 of the WAEMU Treaty.

\(^{82}\) Gnassou (1997, p. 155).
countries’ weight but on the basis of solidarity), democratic control (absence of parliament), financial autonomy (supposed to be provided by CET and VAT), and the dynamics of integration, on which the WAEMU Treaty is open but does not mention any precise agenda83.

2. 2. 3. The limitations stemming from the handicaps of the WAEMU: commodity dependence, poor institutional and physical infrastructure

The adoption of some elements of the EU model is limited by the enormous disparities between economic and political economy conditions of the EU and WAEMU respectively. The transposition of rules that were devised for highly developed countries may be unfeasible due to the constraints inherent in WAEMU countries. As is well-known, despite the presence of formal democratic institutions many WAEMU states do not have effective judicial systems or the rule of law, and are often plagued by predatory political regimes. Their international reputation vis-à-vis international markets and investors is poor. Self-regulation by states within a regional setting seems implausible84 (which threatens regional regulatory schemes, e.g., OHADA). Regional integration constituted by failing states will obviously be fragile and likely to reproduce at a supra-state level similar failures, political tensions, and ineffectiveness of decisions.

Domestic policies – relating to fiscal, labour, and trade issues – were not focused on regional integration. Sub-Saharan Africa is often said by the Bretton Woods institutions to display very high trade barriers85. Indeed, after the independence the colonial powers left a reduced local industrial sector and, as in most developing countries at the time, West African states all pursued import-substitution strategies and state-led industrialisation behind high protectionist barriers. WAEMU countries are small post-colonial economies, which import manufactured goods and export primary commodities that are characterised by volatile international prices and windfall gains that budgets manage with difficulty. Economic performance reveals more divergence than convergence86, economies are not complementary, they produce the same type of commodities that are exported to developed countries, and intra-WAEMU exchanges are very low. Because of certain differences, e.g. between landlocked and coastal countries, there are strong regional economic imbalances. The Ivory Coast enjoys a more developed manufacturing sector. WAEMU economies include important informal sectors87 that escape controls and taxation. In countries bordering Nigeria, such as Niger and Benin, the informal sector may represent more than half of the countries’ GDP and is almost entirely based on smuggling with Nigeria, on which economic dependency is a structural fact88. The informalisation of WAEMU economies creates a vicious cycle in eroding their internal credibility and achieves an integration based on informal activities with countries that are external to the WAEMU.

Moreover, the physical infrastructure of the Franc zone is in poor condition and has even deteriorated since independence in many places. Maintenance has not been a priority for governments - particularly for those under the financial pressure of the conditionalities of structural adjustment programmes. Capital-intensive investments were also apt to generate corruptive rents – for local politicians as well as foreign firms89. Governments did not try to improve the physical links between states, as shown by the many roads that stop right at borders. Colonisers built infrastructure, such as railways, in order to have access to the natural

84 Collier et al. (1997, p. 302).
85 Ng and Yeats (1998).
86 Venables (1999).
87 Although this vague term refers to activities that are often registered.
88 In Niger, the informal sector represents some 70% of the GDP, and 50% of transactions are made with Nigeria, Nord-Sud Export, 8 September 2000.
89 Tanzi and Davoodi (1997).
resources of the hinterland. The landlocked countries of the WAEMU are handicapped by high transport costs that reduce the trade volume. A diminution by half of transport costs in a developing landlocked country seems to multiply by five its trade volume\(^90\). The road network in Sub-Saharan Africa is said to have a level that is comparable to Taiwan after the WWII\(^91\). Transport costs, due to the poor state of infrastructure and costs structure – freight, customs, or ports – are among the highest in the world\(^92\). It is often easier to transit through Europe when one wishes to travel to a neighbouring country. The telecommunications situation is also poor, despite recent improvements (in 2000 Sub-Saharan Africa had 14 lines/1000 people, vs. 534 in the EU\(^93\)). A large literature describes the obstacles built by civil services, customs, police, military, and so on, to the circulation of people and goods, which induce important over-costs, hinder transactions and increase poverty\(^94\). The contrast with the EU is huge: the EU has been built up from legitimate welfare states and over centuries, and it enjoys institutional and physical infrastructures, which have a degree of development that is appropriate to its integration objectives.

3. The asymmetrical relationship between the EU and WAEMU

The relationship between the EU and the WAEMU is an asymmetrical. In this regard, the model influences the replica in different ways. The transposition of EU rules is associated with a deep asymmetrical relationship between the group of wealthy and geopolitically powerful states that constitute the “model”, on the one hand, and the “borrowing” countries, on the other. The WAEMU is not only the outcome of a transfer but the continuation and creation of relations between regional sets launched by the Cotonou agreement. The relationship between the EU and the WAEMU also includes dimensions of dependence and vulnerability. The ACP countries enjoy limited room for manoeuvre in the choices and control of their policies. The cases of monetary and regional policies constitute relevant examples of these asymmetries.

3.1. Monetary and macroeconomic issues

Monetary and macroeconomic management is characterised by imbalances between the EU and WAEMU. Examples are the peg of the CFA Franc, which is issued by the WAEMU central bank, the BCEAO, to the Euro but is still operated via the French Treasury. The loss of monetary sovereignty and the pegging to foreign currencies is said to have positive economic dimensions as a “hand-binding” device, which provides credibility and stability. Other examples are the Regional Pact of Convergence borrowed from the EU and the convergence criteria defined by the Maastricht Treaty, as well as multilateral surveillance. Others refer to the massive aid dependence of African countries and the status of the EU as a key donor, such as conditionality of aid flows that constitute substantial portions of WAEMU national budgets. These aspects show the limitations of the economic sovereignty of the WAEMU countries vis-à-vis the EU orientations and their limited room for manoeuvre when they wish to implement policies that are adaptive responses to the economic and monetary strategies of their own African neighbours.

\(^{90}\) Limão and Venables (1999).
\(^{91}\) Brautigam (1995).
\(^{92}\) Amjadi and Yeats (1995).
\(^{93}\) World Bank, World Development Indicators 2002, table 5.9.
\(^{94}\) Malaizé and Sindzingre (1998) on the administrative and infrastructural obstacles that entail significant costs, although they are difficult to estimate; see IRIS-USAID (1996): 25 “checkpoints” over 753 km in Benin, which add an over-cost by 87% to the other transport costs.
3.1.1. Asymmetries linked to the Euro

Debates remain active over the long term viability of currency areas that are not supported by endogenous processes of regional integration, the relevance of national currencies converging at a rhythm compatible with the size of regional trade, the intrinsic asymmetry of a monetary guarantee provided by an external developed country, and the relevance of existing exchange rate regimes in developing countries - e.g., pegs to the main global trading partners (dollar, Euro). The monetary issue is therefore a crucial dimension of the political economy of regional integration and the question of leadership. The asymmetry of decisions and policies choices - monetary and economic - questions the nature and the scope of the sovereignty of the WAEMU states. The EU approach has been a voluntary transfer of monetary sovereignty by each member state to the European Central Bank, which is independent and responsible for the monetary policy and surveillance. The launching of the Euro in January 1999 was a fundamental step for the European integration, aimed at providing stability, credibility, and visibility, strengthening the EU first pillar and completing the common market.

No institutional change

The shift to the Euro left the CFA Franc institutional arrangements unchanged, with the French Treasury continuing to guarantee convertibility and fixed parity, and to manage the “compte d’opérations”. The Maastricht Treaty transfers competence over exchange rates to the EU level (article 109 of the Treaty) and did not mention the Franc Zone. The rate is equivalent to the former peg to the French Franc. The launching of the Euro has confirmed the link between the EU and the WAEMU. Vis-à-vis the European Central Bank, France argued that the CFA is a simple internal budgetary arrangement between the WAEMU states and the French Treasury, and not a monetary arrangement with the French central bank - the WAEMU money supply being so small that its impact on the French one is negligible. The Franc Zone is linked to the EU monetary policies decided by its central bank, and hence the EU economic fundamentals and the speculative variations of the Euro vis-à-vis the dollar. The WAEMU is therefore captured within institutional constraints over which it has little control. This highlights the asymmetry in the relationship between the EU and the WAEMU – the WAEMU having more duties vis-à-vis the EU than the contrary.

The debates over the peg: credibility and transparency

In contrast with the EU, monetary integration, the anchor to an external currency and a (not fully) independent central bank were the founding events of the WAEMU, which inherited a common currency from the colonial period (the BAO). In the EU, monetary integration was the culmination of a decade-long process and which did not include all EU member states, but only the Euro zone. A related major difference is that the credibility of the EU currency is supported by an endogenous institution emanating from the EU states, while in the WAEMU, this credibility is supported by an external agency, i.e. the ECB, and therefore by monetary policies that are exogenous to the zone, even if the two central banks, ECB and BCEAO, function in both regions with similar objectives. The Franc Zone is a currency area with a fixed exchange rate that has been maintained regardless of its colonial origins, dysfunctionings and costs stemming from the loss of the exchange rate instrument in case of external shock, as currency areas are said to provide credibility and monetary and financial stability, and hence political

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95 Sandretto (1994, p. 69).
96 In 1998, the Council of the EU made explicit that the bilateral monetary arrangement between France and the WAEMU countries is a Community issue: France could maintain these agreements, see Decision of the EU Council of the 23rd of November 1998 concerning questions of exchange relative to CFA Franc and Comoro Islands Franc (98/683/CE); French authorities have to inform the Commission, the European Central Bank and the Financial and Economic Committee about any modification of the parity Euro-CFA; modifications about the nature and range of the agreement have to be approved by the Council and after consulting the ECB.
97 1FF = 100CFA, 1Euro = 6,5596FF, so 1Euro = 655,96 FCFA.
98 Guillaumont and Guillaumont (1989); Fouda and Stasavage (2000).
stability. In the 1980s, many theoretical analyses in financial economics highlighted the key roles of credibility and reputation of institutions and policies, which are supposed to be more efficiently provided by independent “government’s hand-binding” agencies: the loss of the instrument of monetary policy implied by the Franc Zone rules, and its management by a suprastate central bank (the BCEAO), is beneficial as it provides credibility to its economic policies. WAEMU economies have, in an obvious contrast with the UE, a weak credibility vis-à-vis international markets. They gain in voluntarily “binding their hands” and delegating their monetary policy to a third party, which acts as an external and independent “agency of restraint” that substitutes for the discredited reputation of African governments. The financial crises in Asia in 1997 and Argentina in 2002 - despite dollarisation - intensified the debates over the appropriate exchange rate regimes, which efficiently protect against external shocks and crises of confidence. In discussions over the new international architecture, transparency has become the key principle of viable exchange rate regimes. The two extreme (“corners”) regimes are now increasingly preferred - free-floating regimes or hard peg regimes (e.g., dollarisation, currency boards and currency areas). Intermediary regimes are viewed by investors as non-transparent and difficult to verify from observable data, while pegs or floats are more transparent and verifiable. The optimal character of a monetary union depends on the respective gains and costs attached to policies that are no longer country-specific and on the trade-offs between the gains of a moderate inflation vs. the costs of giving up monetary independence. The character of the optimum currency area of the euro area depends on the fact that member states get more advantages than costs, e.g., stability, credibility, or lower transaction costs.

**Gains**

The anchor to a global currency has a series of advantages, e.g., a better credibility of monetary policies. The French Treasury is an external and credible entity acting here as an “agency of restraint”, binding the hands of governments that are often tempted by expansionary fiscal and monetary policies as easy solutions to their deficits. However, the credibility of institutional constraints has been eroded by several transgressions of fiscal rules by governments, by a weak independence of the central bank vis-à-vis the governments and by the political dimensions of the French aid. In addition to this commitment “locking” countries in economic reform, poorer countries’ agreements with richer ones may help convergence in member countries incomes. attract foreign direct investment, or ease transfers of technology. Another advantage is better currency management. The French Treasury exercises surveillance over the management of the WAEMU central bank (BCEAO), which, with the Euro, is less likely to be influenced by French-African politics and clientelism. The anchor to the Euro also has political advantages in giving access to the Euro area market without risks on exchange rates, and hence diversifying from the dependent bilateral links to the ex-colonial power, France. These advantages were recognised in the possibility for non-member countries to join the WAEMU as full members, as Guinea Bissau did in 1997. The Euro monetary anchor lowers transaction costs and bilateral real exchange rate volatility, particularly for landlocked countries; the other

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99 Among the vast literature, Bordo (2003), Cobham and Robson (1994), Honohan and Lane (2000).
100 E.g., Kydland and Prescott (1977), among the first studies of the vast literature on central bank credibility.
102 Agencies of restraint, see Collier (1991 and 1999); Honohan and Lane (2000); Collier and Gunning (1999) on the efficiency of “agencies of restraint” such as the GATT or regional integration agreements in Sub-Saharan Africa.
103 E.g. Frankel et al. (2001).
104 Fielding and Shields (2000).
105 On the binding agreements with external agencies as substitutes of credibility and international public goods, see Rodrik (1996).
positive effects of the WAEMU as a currency area seem to be reached via simply sharing a common peg. The peg of the WAEMU to the Euro zone may be an advantage in anchoring it not to a single country but to another monetary union, although if the Euro does away the risk of exchange with EU countries other than France, it adds new uncertainties in including the economic hazards of additional countries in the fluctuation of the CFA Franc vis-à-vis the dollar. An anchor to a global currency also eases dependence on dollar earnings in the management of the monetary structure of external debt\textsuperscript{110} - an optimal debt portfolio mirrors the composition of its trade flows\textsuperscript{111} - as reserve holdings in Euro help diversify and ease dependence vis-à-vis the dollar\textsuperscript{112}. Currency areas have also strong integrative effects and increase trade\textsuperscript{113}.

\textit{Costs}

There are many theoretical criticisms of currency areas and pegs. E.g. the peg to the Euro deprives governments of room for manoeuvre and of a key adjustment instrument of the exchange rate in periods of economic recession or shocks\textsuperscript{114}, since the ECB objective is monetary stability and low inflation rather than low unemployment. Two decades of structural adjustment conditionalities constitute additional constraints. The CFA Franc displays the discrepancy of being the strong currency of very poor and vulnerable economies, which implies high production costs, loss in competitiveness and a risk of overvaluation if the economies deviate from the ceilings fixed by WAEMU rules or suffer deterioration in their terms of trade. WAEMU countries’ exchange rate reflects less their economic fundamentals than the fundamentals of EU countries. WAEMU countries have limited control over the appreciation or depreciation of the CFA Franc, which may have no relationship with their economic specificities. The collapse in international commodity prices and exports from the CFA countries in the 1980s were what led to the devaluation of the CFA Franc in 1994. In addition, a single pegging of heterogeneous WAEMU countries, which export goods following very different movements in international prices (e.g. cocoa, coffee, cotton\textsuperscript{115}), erases their differences. The rigidity of a fixed exchange rate regime prevents countries from using it as a buffer in case of shocks\textsuperscript{116}. This has justified arguments for dismantling the Franc Zone and issuing national currencies which would later integrate at a pace consistent with national trade and policies, or for pegging the CFA to broader baskets of currencies including the dollar and the yen as well, which would more appropriately reflect the composition of the Zone’s external trade\textsuperscript{117}. Currently 56 countries have an exchange rate linked to the Euro through various regimes, all supported by trade links with the EU\textsuperscript{118}. However, for the WAEMU, the peg did not augment trade levels, nor help diversify towards manufactured exports or attract foreign investment, which remains small. This shows the limits of the theories of “hand-binding” devices. Neither the currency area nor the WAEMU Treaty improved credibility vis-à-vis foreign investors. WAEMU countries display a high degree of trade openness\textsuperscript{119}. The effects of a currency area are limited because WAEMU export non-processed goods. Their prices are determined by international speculative markets (cocoa, cotton, etc.) and depend on world economic growth\textsuperscript{120}. In such commodity-exporting countries, real exchange rates closely align

\textsuperscript{110} Verner (1999).
\textsuperscript{111} Cohen (2000).
\textsuperscript{112} Verner (1999).
\textsuperscript{113} Persson (2001) and the response by Rose (2001).
\textsuperscript{114} « Amartya Sen: L’Euro va réduire les marges de manœuvre », Libération, 19 October 1998.
\textsuperscript{115} This is still more obvious for the oil and non oil countries at the level of the two CFA zones.
\textsuperscript{116} Hoffmaister, Roldos and Wickham (1997).
\textsuperscript{117} Ojo (1996), Cohen (2000).
\textsuperscript{118} European Central Bank (2001).
\textsuperscript{119} Being oriented towards the EU and especially France, although Sub-Saharan African trade with former colonising countries, e.g. Great Britain, has decreased since the independence, see Coquet et al. (1993).
\textsuperscript{120} Feldman et al. (1998).
with real commodities prices, with their currencies becoming “commodity-currencies”\textsuperscript{121}. External debt is very high\textsuperscript{122}. Moreover, although the Maastricht Treaty insisted on coherence, EU trade policies are inconsistent with its aid policies, with in the former restricting access to EU markets – however, LDCs exports, i.e. mostly primary commodities, enter the EU duty-free\textsuperscript{123}, as well as all ACP industrial products and most agricultural products under the Lomé Convention. Manufactured products from other developing countries are confronted with tariffs and other non-trade barriers. Yet as UNCTAD has continually stressed, development relies on industrialisation and export of skill-intensive products.

The WAEMU has been viewed as a “practicable monetary zone”\textsuperscript{124}. However, the relevance of optimal currency areas in Sub-Saharan Africa is controversial, as are trade blocs. They cannot be optimal, because of the weakness of intra-regional trade and capital flows, the limited size of the economies, or the lack of convergence of national policies\textsuperscript{125}. Sub-Saharan countries are characterised by recurrent external shocks and terms of trade volatility because of their dependence on primary commodities’ international markets. Therefore, more than developed economies, they need flexibility in the use of the exchange rate, being otherwise doomed to recessive adjustment on relative prices. The many analyses comparing the performances of the Franc Zone and non-Franc Zone countries did not conclusively show divergence in their respective growth trajectories – though inflation is lower in the Franc Zone\textsuperscript{126} and with more recurrent periods of deflation (28\% of the period 1970–2001\textsuperscript{127}). The macroeconomic impact of the Euro depends on many channels - trade, financial flows, or debt\textsuperscript{128} (e.g., besides the CFA countries’ relative insensitivity to international interest rates\textsuperscript{129}, variations in the Euro interest rates or in the Euro exchange rate vis-à-vis the other major currencies).

\textit{Other asymmetries and the issue of Nigeria}

The WAEMU has other obligations vis-à-vis the EU. Both regions of the Franc Zone must ask for the authorisation of the EU Council if they intend to devalue. The EU Council imposes other political, monetary and economic constraints. The WAEMU alone cannot decide to enlarge the monetary union, although the WAEMU Treaty mentions that any West African state may ask to adhere to the Union (art. 103)\textsuperscript{130} and with adhesion of new member states being authorised by the EU Council (which could, e.g. provide a possible opening of the WAEMU to Nigeria). The relationship between the WAEMU and Nigeria has always been ambivalent, because of the intensity of informal exchanges triggered by Nigeria’s size as well as its monetary and trade policies (constant erosion of the value of the naira, recurrent bans or high tariffs on imports). However, the EU and the WAEMU have divergent interests regarding Nigeria. The integration of Nigeria has obvious advantages for the WAEMU – creating a sizeable market, stopping smuggling and its devastating impact on the fiscal revenues of both zones. For the EU - and France within the EU - Nigeria and its currency are perceived as radically belonging to another space than the Franc Zone, not the least in terms of post-colonial legacy and language. The ideal scheme would rather be the absorption of the naira zone within the Franc Zone, although the extension of the “\textit{compte d’opérations}” mechanism to a country of the size of Nigeria has very little chance of being accepted by France, the EU, or the ECB. Integration including Nigeria and based on the ECOWAS destabilises the anchor to the Euro and the fixed parity. Despite sharing

\begin{footnotesize}
\begin{enumerate}
\item\textsuperscript{121} Cashin et al. (2002).
\item\textsuperscript{122} About 40\% is denominated in Euros at variable interest rates, Feldman et al. (1998).
\item\textsuperscript{123} Under the “\textit{Everything But Arm}” initiative (March 2001); among the 49 LDCs, only 9 are not ACP countries, see Onguglo and Ito (2003).
\item\textsuperscript{124} Corden, quoted in Semedo and Villieu (1997, p. 135).
\item\textsuperscript{125} Ojo (1996).
\item\textsuperscript{126} Clément et al. (1996, p. 2).
\item\textsuperscript{127} Reinhart and Rogoff (2002).
\item\textsuperscript{128} Cohen et al. (1999); Hadjimichael and Galy (1997); Claeys and Sindzingre (2000); Lo (2000); Bekx (1998).
\item\textsuperscript{129} Feldman et al. (1998).
\item\textsuperscript{130} Lelart (1997, p. 902).
\end{enumerate}
\end{footnotesize}
several countries, WAEMU and ECOWAS historically have conflicting relationships that are reinforced by the difference in language and the view of language as a political and foreign policy issue by France. The WAEMU’s relative effectiveness results from a significant support by France, at the political level as well as the financial level (e.g. budget and project aid). The ECOWAS is also supported by Nigeria’s claims to be the engine of regional integration. In 2000 the WAEMU and the ECOWAS have nevertheless reinforced their cooperation.

3.1.2. Monetary integration, convergence and multilateral surveillance

Asymmetries also stem from economic constraints, as the peg to the Euro imposes on the WAEMU governments strict macroeconomic policies and convergence criteria. Before the devaluation of the CFA Franc in 1994, the French post-colonial political agenda allowed important public deficits and arrears to accumulate – especially from Ivory Coast - in order to maintain the Franc Zone countries’ creditworthiness vis-à-vis the Bretton Woods institutions. The gap was filled by the French Treasury (and taxpayer), until it became unsustainable for the French budget. The WAEMU arrangement therefore limits the sovereignty of states on their own fiscal policies, which are also tightly constrained by the conditionalities of the programmes of the Bretton Woods institutions. The EU has also exported the rules relating to multilateral surveillance and the convergence of economies and policies, and the Regional Pact of Convergence, Stability, Growth and Solidarity (December 1999) constitutes a key dimension of WAEMU integration. In the EU, convergence criteria - price stability and limited public spending - signal the prerequisites for adhering to the Euro area, while in the WAEMU, the eight convergence and multilateral surveillance criteria mostly focus on public expenditures and revenues. These criteria work as signals of financial stability and sound public management in order to create trust in the stability of the CFA Franc. Since the devaluation in 1994 inflation in the WAEMU has broadly aligned with that in France.

Multilateral surveillance is, however, confronted with the political and institutional structures of the WAEMU countries. These cannot be compared with the EU states because of the notorious weakness of their fiscal discipline, civil service management, and politicisation of recruitment in civil services. Similarly, statistical capacities are in poor condition, which has been aggravated by structural adjustment programmes that supported mostly the services producing the statistics needed by the Bretton Woods institutions. Surveillance requires statistics and the strengthening and harmonisation of statistical services is an explicit priority - the regional institute Afristat having been created on the model of Eurostat. The BCEAO prudential rules limiting the advances to governments have sometimes been bypassed via various ways - domestic non-bank financing, external financing, or accumulation of domestic arrears. The weakness of the sanctions by the French Treasury was possible because of the post-colonial political economy of the Franc Zone and the opaque political relationships between some African rulers and French politicians - a mixture of dependence, shared corruption and clientelist relations (e.g. for

131 Sindzingre (2000) on the ECOWAS.
132 Ghymers (1994, p. 103) highlights that the WAEMU Treaty supports the goals of the ECOWAS.
133 Ivory Coast fiscal deficit excluding grants represented in 1991 13,4% of its GDP; see World Bank Africa Development Indicators 2002, table 7.2.
135 Four primary and four secondary criteria: ratio of the basic fiscal balance to nominal GDP in balance or in surplus; ratio debt/nominal GDP under 70%, annual inflation rate under 3%, no new payment arrears, a financing of public investment by internal resources above 20% of fiscal revenues; wage bill under 35% of tax revenues, see International Monetary Fund (2003), Hecquet (1999).
136 Zone Franc: de la surveillance multilatérale à la convergence, Marchés Tropicaux et Méditerranéens, 14 January 2000.
137 Fielding (2003).
political party financing, aid projects, procurement). The outcomes of economic convergence have so far been disappointing - no country was in compliance with all eight convergence criteria at the end of 2002 -, as governments still keep large fiscal deficits because of terms of trade deterioration but also political agendas. Supra-state institutions are also affected by these deficits in credibility, and they have difficulty in acting as the "agencies of restraint", supra-state public goods and providers of credibility to national policies. The possible substitution of France by the EU as an external guarantor of the currency could not be easy, because of the complexity of decision levels and the many tensions that divide the EU in regard to its policies vis-à-vis developing countries.

Among the intrinsic constraints that affect the WAEMU, a key problem stems from the absence of correspondence between monetary integration and the integration of the formal economies, even if the WAEMU is one of the most integrated regions in Sub-Saharan Africa. The convergence of policies is limited and exchanges between countries have often been created by differentials - erased by a common market - between fiscal and trade policies rather than competitiveness. These differentials determine the exchanges between the WAEMU and Nigeria - exchange rate differentials and trade barriers -, and the WAEMU and Ghana, both the naira and the cedi having been dramatically depreciated since the launching of their adjustment programmes in the mid-1980s. These monetary, exchange rate, and trade policies differentials make adjustments difficult when they are confined within national borders - e.g., the WAEMU countries bordering Nigeria prosper on the re-export trade towards Nigeria (Benin and Niger). The latter consider that the WAEMU's convergence criteria and its tariff policies are not suitable for them, which is a source of tension in regard to common trade policies. In terms of the potential for a common market, intra-regional trade is very low - a low level that reflects a low potential, i.e. the low level of development, factor endowments, and geography. Because of the poor state of statistics and the importance of informal exchanges, figures vary substantially: from less than 8% to 15% of total exports within the WAEMU and 5% within the ECOWAS in 1998. Official intra-ECOWAS trade was estimated at only 5.5% of the total trade of the four largest countries during the 1981-89 period, and official exports within ECOWAS only reached the tiny level of 6% of total exports in 1990, due to the weight of Nigerian oil exports to the rest of the world. In other estimates, intra-WAMU trade represented 10.5% of total exports in 1992, a stable figure since 1980 - over the period 1980-84, 1.65% of its total exports, or 1.25% over the period 1985-90. For the IMF, as an effect of the internal trade liberalisation, the volume of intra-regional trade rose from 12.6% in 1996 to 17.6% in 2001. Its value is very small: in 2000 intra-WAEMU registered trade represented 847 million dollars. The volume of transactions on the regional stock exchange remains so small that it affects its financial viability.

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139 Stasavage (1997); Gnassou (1997).
141 Fouda and Stasavage (2000).
143 Sindzingre (2000).
144 Foroutan and Pritchett (1993).
146 Soulé (2000); The OECD Club du Sahel has extensively studied the exchanges between the WAEMU and the ECOWAS.
149 Aryeeetey (1998, p. 409), on the basis of UNCTAD data.
151 International Monetary Fund (2003, p. 21)
152 World Bank, World Development Indicators 2002, table 6.5.
153 International Monetary Fund (2003, p18).
The WAEMU is more characterised by extraversion than convergence. Its trade was shaped by colonial history, remained stable over the century, and is mostly achieved outside the zone. The EU is the leading trading partner, providing 47% of imports and receiving 46% of the exports (i.e., cocoa, coffee, cotton, rubber, palm oil, groundnut oil, wood, petroleum), with the former colonial power, France, being the main partner. In the Ivory Coast, e.g., France was the leading investor in 1998, the country’s leading client (17% of exports) and its main supplier (28.5% of imports). The WAEMU market is very small - 70 million of consumers, compared with 376 million Europeans, and, moreover, where incomes are low, as the WAEMU includes some of the poorest countries of the world. The ECOWAS provides a more coherent integration framework with significant natural resources and 210 million consumers – however, about 50% have an income of less than 1US$ per day.

WAEMU countries differ in their level of development, and the structure of intra-zone trade differs according to the country: in 1994, over 30% of Burkina Faso imports came from the Franc Zone, as opposed to 1.7% in the case of the Ivory Coast, which exported 18% of its total exports within the zone. They display few complementarities, despite the dense formal and informal exchanges between the coastal countries and the landlocked Sahelian ones (labour, cattle, agricultural products). The colonial model of production of primary commodities remained resilient despite efforts at diversification, and all countries are plagued by the difficulty of managing budgets that depend on volatile commodities prices and hence volatile revenues. WAEMU countries also diverge in the structure of their public finances, foreign debt, external trade - which reveal structural deficits for some countries - and structural surpluses for others that therefore finance the former within the WAEMU “compte d’opérations”. The Ivory Coast represents the largest GDP (37% of the GDP of the WAEMU, i.e. US$12 billion in 2000 at 1995 prices, vs. all the other totalling 21 billion), a higher GDP per capita (before the civil war, a gross national income of US$600 in 2000, vs. 180 in Niger, 210 in Burkina Faso, 240 in Mali), a more developed industrial sector – 22% of GDP in 2000, vs. 14% in Benin, 17% in Mali and 18% in Niger. The Ivory Coast gains from regional integration and the free circulation of products in the WAEMU as its exports are more competitive and hence likely to increase. Theoretical studies have shown that regional integration redistributes industries towards the most industrialised areas and accelerates pre-existing industrial imbalances. The wealthiest countries often benefit more from regional integration than the poorest or landlocked ones. This “asymmetrical regionalism” may create acute tensions between countries and even induce the explosion of the zone, as it happened for the East African Community. Integration also leads to tensions because economic superiority may reactivate aspirations towards regional political leadership and the refusal of bearing the burden of the neighbours’ poverty via their immigrants. This was a factor in the Ivory Coast’s civil war and conflict with Burkina Faso, though the latter supplies the Ivory Coast with part of its labour force.
3. 2. Heterogeneous regional policies

Regional policies constitute examples of asymmetries between the WAEMU and the EU, as the latter imposes its own view of what regional integration should be in West Africa: a normative way of proposing EU norms. Through the Cotonou Agreement the EU firmly encourages the ACP countries to conclude regional trade agreements among its members - the economic partnership agreements (EPAs) -, which constitute new conditionalities. However, the WAEMU countries are confronted with processes which undermine their own cohesion. A case in point is the lack of coherence that affects the EU support strategy for regional integration. E.g., while offering the “Everything but Arms” trade-facilitating initiative to the Least Developed Countries, the EU encourages the WAEMU’s negotiation of an EPA with ECOWAS. Another potentially “disintegrating” process is the multilevel regional integration which characterises sub-Saharan Africa. The African Union (AU), launched in 2002, copies the EU’s organisation and objectives. This may be a sign of the success of the transfer of the EU model to the WAEMU, but also of its dissolution into one or more larger zones.

3. 2. 1. European regional integration support policy

Regional integration policies have always been a focus for the EU, which considers itself to be a successful model of this. For the EU, the developing countries’ efforts towards regional integration “have coincided with new and deepened regional integration among industrialised countries as exemplified by the Maastricht Treaty on the European Union and the creation of NAFTA”. In the Maastricht Treaty regional integration responds to one of the objectives of EU development policy, i.e. “the smooth and gradual integration of developing countries into the world economy” (art. 130U). In 2000, the EU Commission sets forth that “Community development support should be concentrated on a more limited number of core areas”. The Commission is accorded six areas of intervention: links between trade and development, regional integration and cooperation, macro-economic policies, equitable access to social services, transport, food security and sustainable rural development, institutional capacity building. Regional integration is obviously an area where the EC has an added value compared to member states.

The EU claims to be a model: “in the light of its experience and of the instruments at its disposal, the Community is in a position to support efforts in this direction by developing countries”. Referring to its history, the EU supports regional integration worldwide and sees this as an opportunity for developing countries, especially in the context of globalisation. According to the EC, creating sub-regional markets “will allow economies of scale in production, increases in efficiency, unrestricted access for more consumers to a larger bundle of products, stimulation of investment flows and increased levels of competitiveness in domestic economies”, and eases integration into the world economy. Paradoxically, regionalism is presented both as a palliative measure and as a step towards globalisation. The Cotonou Agreement (June 2000) lays out the new framework of the EU-ACP relationship and accords regional integration a key place in both trade cooperation and development assistance – EU
action focusing here on improving ACP institutional and economic capacities. The Cotonou Agreement innovates in the area of economic and trade cooperation. The two basic principles of the Lomé regime – trade preferences and non-reciprocity – are in contradiction with the rules of the World Trade Organisation (WTO). Until recently, trade preferences were only tolerated thanks to a waiver attributed by the GATT. The WTO only accepts the preferences that are applicable to all, which is the principle of the Generalised System of Preferences and the Most Favoured Nation’s Clause. Non-conformity may be bypassed through two means: giving all developing countries the same trade preferences as the ACP ones (alignment on improved GSP), which means the abolition of preferences; or creating, according to the GATT’s article XXIV, Free Trade Areas (FTAs) between the EU and ACP countries – with a certain ‘flexibility’, i.e. the “code word for Special and Differentiated Treatment”, as long as these zones really do generate trade and are not used as a means for erecting new protectionist barriers. The EU established FTAs - the Economic Partnership Agreements (EPAs) -, in order to achieve a “progressive and harmonious” integration of the ACP into the world economy, and was also pressed into putting its regional trade regime in line with GATT rules. Agreements over EPAs are to be concluded by January 2008 and fully achieved by 2020.

Regional policies constitute examples of asymmetries between the EU and the WAEMU. The EU imposes its view of regionalism on West African countries, which over-evaluates African regional zones’ capacity to deepen integration and under-evaluates structural problems, e.g. developed countries’ protectionist policies, African countries’ marginalisation in international trade, low credibility of ACP countries’ economic policies, and perception of high risk. Moreover, not all ACP zones include regional institutions, e.g. the Pacific zone, which only exists geographically speaking. Some countries do not belong to a deeply integrated region, like Nigeria or Ghana, even if the ECOWAS has improved its effectiveness. Some regional organisations overlap and some countries belong to several organisations. All WAEMU countries are members of ECOWAS, some belong to the Conseil de l’Entente, the Mano River Union or the Permanent Interstates Committee for Drought Control in the Sahel. Sub-Saharan Africa is indeed characterised by many superposing regional arrangements, which often remain purely formal. Moreover, all integration zones include LDCs and non-LDCs, which enjoy different trade regimes. Reciprocity may create positive effects, but as with any FTA EPAs may intensify economic asymmetries and induce marginalisation and redistribution between countries. This highlights the risks of an artificial regionalism imposed from above and seems to impose conditionalities on the ACP countries in order for them to obtain EU funds, thereby questioning the rationale underlying the EU proselytism for regional integration.

3.2.2. The existence of ECOWAS: a problem for the WAEMU?

All WAEMU countries are members of ECOWAS. ECOWAS is under the leadership of Nigeria, the latter also aiming at the creation of a monetary zone that would include the WAEMU countries. It is unlikely that ECOWAS will, in the short term, achieve the same level of integration as the WAEMU and with a similar link to the Euro. The balance of the WAEMU,
however, is threatened by the political tensions and economic crisis in the Ivory Coast, which is no longer the economic engine of the region nor a pole of political stability. The WAEMU is seen as one of ACP’s most integrated sub-regions and at the beginning of the post-Lomé negotiations the EU selected the WAEMU as a possible EPA and ordered an impact study of a FTA on WAEMU’s economies. The EU now prefers to conclude an EPA with ECOWAS rather than with the WAEMU. The EU could also negotiate an EPA with the WAEMU, which could then be integrated into a larger EPA concluded with ECOWAS. The WAEMU-EU agreement could be based on a deeper integration, along the model of enhanced cooperation as already exists within the EU. But for the EU, ECOWAS is now the integration institution of reference. The WAEMU Treaty itself includes its own objectives within those of ECOWAS and the WAEMU and ECOWAS decided in 1999 to deepen the convergence process of their economic and sectoral policies. As for the common market, the juxtaposition of two different liberalisation frameworks and rhythms generates conflicts, in response to which the WAEMU and ECOWAS have initiated an harmonisation process. Many constraints slow this convergence, however, such as different degrees of integration, low institutional and technical capacities, lack of visibility of regional institutions for the civil society, low involvement of private actors within the Community decision-making process, multiple impediments to trade, transport and access to information, and the heterogeneity of the economic and political situations of the countries in the region. The EU’s strategic answer is presented in an Indicative Regional Programme 2002-2007 for West Africa, which is focused on support of regional processes and integration into the world economy. From the EU’s perspective, this may be achieved through a customs union at the ECOWAS level and with the conclusion of an EPA along with a common external tariff and common trade policy. The WAEMU decided in 2002 to negotiate an EPA with the EU and the ECOWAS declared in April 2003 its readiness for an EPA with the EU. Two months later, however, the ECOWAS reversed it and opted for a more cohesive strategy with the ACP group as a whole. The Caribbean countries and Mauritius seem to prefer negotiating within an overall ACP framework, which challenges the EU, as the ACP criticised the results of the negotiations’ first phase. The EU strategy appears divisive, e.g. between ACP sub-regions, as well as between LDCs and non-LDCs.

3.2.3. The EU’s paradoxical support for regional integration

The EU’s support for regional integration initiatives generates paradoxical positions and divides already constituted groups. Sub-regional groupings as well as the ACP group are challenged by the EU’s multilevel support: e.g. LDCs vs. non-LDCs, sub-regional groupings vs. the ACP group, Africa with the African Union vs. the ACP as a whole and the other sub-regional groupings. A first divisive issue that proceeds from EU positions emerges between LDCs and non-LDCs, as regional organisations include both categories. The “Everything But Arms” (EBA) initiative (February 2001) is based on a generous principle but threatens the ACP as a group plus ACP sub-regions, as they include both LDCs and non-LDCs. The EBA initiative guarantees duty-free access to imports of all products from LDCs without any quantitative

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restriction, except arms and munitions (but temporarily excludes bananas, rice and sugar). Since the LDCs enjoy a preferential trade regime by the EU, their interest in negotiating EPAs is uncertain. This challenges the cohesion of the WAEMU, as the EU avoids bilateral trade agreements with ACP countries.

The second divisive issue addresses the ACP group as a whole. The EU strategy is ambiguous, as it firmly supports the ACP’s capacity building but the conclusion of EPAs might weaken ACP’s cohesion. Some ACP countries view the EU’s strategy of facilitating the negotiations of EPAs at a sub-regional level as an attempt to divide the ACP. The ACP group is too weakly structured to defend common positions at the WTO: 63 of the 77 ACP countries are WTO members or observers, but only 33 hold a permanent representation in Geneva, while they often lack technical competence to influence the WTO decision-making process. As stipulated in the Cotonou Agreement, the EU offered 200 million euros to trade-related technical assistance; at the Doha Conference the ACP countries were promised substantial technical assistance in order to improve their participation in global trade. In 2002, the European Development Fund (EDF) allocated 10 million euros to a three-year programme supporting the similar goal of integrating the ACP states into the multilateral trading system, in the three priority areas of multilateral negotiations, implementation of WTO agreements and accession to the WTO. As part of its support for the ACPs’ accession to the WTO, the EC has substantially funded the ACP countries’ WTO representation office, which provides information and helps ACP countries coordinate their positions in multilateral negotiations - as said by Pascal Lamy, EU’s Trade Commissioner, “the ACP representation office in Geneva symbolises our partnership and our common strategic interest.” The Cotonou Agreement mentions the strengthening of EU-ACP cooperation within international fora. The EU expects that EPAs and multilateral trade agreements might complement one another; the ACP group did indeed obtain at the Doha negotiations a waiver allowing it to keep the Lomé preferential trade regime until the EPAs are concluded. The funding of the ACP WTO representation office by the EU calls into question the nature of their relationship, especially the guarantee of the ACP’s independence in negotiating multilateral issues or the use of the ACP countries by the EU as allies within the WTO. This capacity building policy may be prejudicial to the EU because ACP countries will not blindly support every measure proposed by the EU at the WTO (e.g., social or environmental clauses).

A third potential source of division comes from the newborn African Union, which replaced the OAU (Organisation of African Unity). In supporting the AU, the EU may weaken ACP unity – not all AU members are ACP countries and not all ACP countries are AU members. The AU imitates the EU architecture and objectives and the main change vis-à-vis the OAU is the suppression of the secretariat and the creation of a Commission as in the EU. The key institutions are the Assembly of Heads of States and Governments, the Executive Council, the Permanent Representatives Committee. This new replication of the EU again raises question on its underlying rationale. The EU claims to be a model and indeed is perceived as the AU’s “natural companion” – or the AU being in a “filiation” relationship. As Romano Prodi said at the AU Maputo Summit (July 2003): “Authority comes from deeds. It is not the result of declarations. This is our experience in the European Union. We offer it for your consideration”, the title of its conference - *The European and African Unions* - being eloquent on this direct link between the model and the replica. However, there is no small European

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190 Hylton (2003).

191 It is managed by the ‘Programme Management Unit to support ACP states on WTO issues: see the Programme to support the integration of the ACP states into the multilateral trading system of the WTO, [http://mtsacpeu.org/english/docs/welcoming%20text.doc](http://mtsacpeu.org/english/docs/welcoming%20text.doc); see also Cumberbatch (2002, pp. 1-3).

192 Lamy (2002)


Union that is included into a larger one, as it might be the case for the WAEMU, the ECOWAS and the AU. The prospects of several regional integration zones belonging to one another like Russian dolls remain uncertain.

CONCLUSION
The paper has discussed the viability and the limitations of the replication of the European model in the context of developing countries on the case of the West African context. Complex local specificities, limited capacities of ownership and adaptation of the model threaten the future of the WAEMU. Moreover, the “exportable” nature of the EU model is constrained by limitations that affect the three indissociable dimensions of regional integration: institutions, economics and political economy. For the EU as well as for the WAEMU, economic integration requires a will towards political integration in order to be fully effective.

The EU is currently modifying its support for the WAEMU and sub-Saharan Africa continues to be segmented along multiplying levels of regional integration. This global context therefore challenges the prospects for the WAEMU to maintain itself as an integrated region. Likewise, the WAEMU may ponder its economic and political interests and gains vs. costs in maintaining its current arrangements of economic integration. Indeed, globalisation, WTO rules and the emergence of other trade blocs question the relevance of historical legacies and obligge the WAEMU to make complex tradeoffs and choices.
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