

THE ROLE OF NIGERIA IN ECOWAS CURRENCY CONVERGENCE: PROSPECTS AND CHALLENGES

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ABSTRACT

The study examines the prospects and challenges of Nigeria's role in ECOWAS currency convergence. The study used both primary and secondary data. The primary data was the interview, while the secondary data were the confidential documents of ECOWAS on currency convergence, ECOWAS annual reports and published literature. The data were analyzed using thematic analysis. The findings of the study show that Nigeria have high prospect in ECOWAS currency convergence but her domestic challenges need to be addressed to enjoy the benefits of the prospect. It was concluded that the kind of energy and support on the side of Nigeria towards the realization of the ECOWAS passport and successful military operations within the region to strengthen democracy is much needed in the pursuit of the ECOWAS currency convergence. The study recommends that Nigeria should address her domestic challenges such as economic crises, security crises, and other challenges to be fit to help the Commission actualize the currency convergence in line with the new target of 2027.

Keywords: ECOWAS, Nigeria's Prospects, Currency Convergence, Monetary Integration, and External Influence

2. Introduction

Regional economic integration, simply defined, is an agreement among contiguous nations to allow for the free flow of ideas, investment funds, technology, goods and services, and the free movement of persons within the region in which a single large market subsists with the benefits of comparative advantage and economies of scale. Regional economic cooperation has gained momentum partly as a strategy to cope with global economic problems and partly to enhance domestic economic growth and development. As many countries are not strong enough on their own to cope with the rapid changes in the global economy, groups of countries use regional integration to achieve the necessary conditions for sustainable growth and development (Udeh, 2011). According to Itsede (2002), monetary integration defines member countries' participation in certifying a unified currency with economic unification, organizing monetary and fiscal policies, and regulating exchange rate policies. In monetary integration, the idea of currency convergence subscribes to the prospects of imperative benefits for participating nations; the merit impact of the concept is a resourceful improvement, as it is the main essence of economic integration. In this context, the idea is that the concept of currency convergence rest assured that currency restriction will never obstruct trade among member nation-states.

Nigeria has the strongest economy among the Economic Community of West African States (ECOWAS), which emerged in Lagos on May 28, 1975, as a regional institution consisting of fifteen nations. The organization's essence is to integrate the region into a single economic bloc and to ensure sole currency existence, which has been on the agenda of the heads of the state meetings for decades (Yusuf & Abdullahi, 2020). Nigeria has set the pace and direction for the evolution of ECOWAS, including the move to a stronger peace and security architecture. The relative economic and diplomatic weight, as well as the level of international integration, can make certain countries particularly influential and even turn them into "engines of regional growth and stability" (McNamee, 2016, p. 6). He further stated that Nigeria has become the largest economy in Africa with a GDP that exceeds all the countries of the ECOWAS region combined. The GDP of ECOWAS member states as at 2022 stand at: Benin\$17.79B; Burkina Faso \$19.74B; Cape Verde \$1.94B; Gambia \$2.08B; Ghana \$77.59B; Guinea \$15.85B; Guinea-Bissau \$1.64B; Ivory Coast \$69.76B; Liberia \$3.49B; Mali \$19.14B; Niger \$14.95B; Senegal \$27.63B; Sierra Leone \$4.20B; Togo

\$8.41 B; and Nigeria \$440.78B surpassing the sum total GDP of other ECOWAS member states at \$284.21B (ECOWAS, 2022).

Nigeria is one of the founding fathers of the commission, and population in West Africa, in terms of funding Nigeria's payment represents 40.42 per cent of the total payment of 2,913,088,908 dollars payment made by all the 15 member states and is higher than payments made by 12 other countries put together except Ghana and Cote d'Ivoire (Ojeme, 2021). Still, Nigeria has a dynamic economy with an ever-growing number of entrepreneurs, innovators and professional services. McNamee (2016) points to the emerging corporate Pan-Africanism, as exemplified by investments across borders by Nigerian Dangote multinational cement or African investors in Nigeria, such as South Africa's SABMiller. This has the potential to create new identities and a new connectedness outside the traditional spheres. But both swing states adopt protectionist policies and curb greater freedom of movement for business and labour.

3. Statement of the Problem

One of the major reasons for establishing ECOWAS was to achieve currency convergence in the region as a basic integrating factor, for ease of intraregional trade and free movement of citizens. But several efforts such as the creation Economic Monetary Cooperation Programme (EMCP), the creation of West African Monetary Zone (WAMZ) economic bloc to be merged with West African Economic and Monetary Union (WAEMU), adoption of a single-track approach for the monetary integration programmes which lead to the rationalization of the macroeconomic convergence criteria and the revision of the roadmap for the ECOWAS single currency to fast track implementation and the adoption of "ECO" as the name of the ECOWAS single Currency among others towards the realization of this objective has failed in the past due to the certain reasons such as failure to address the interests of member states as a result of external influence by some western powers especially France and United Kingdom (UK) who are the former major colonial masters of the West African sub-region and the existing currency union, Lack of political will among the ECOWAS member states, Fear of domination of weaker nations by the stronger ones and loss of revenue with the formation of currency convergence among others. The challenges posed by the delay in the implementation of ECOWAS currency convergence is evident in the dwindling economy of member states, difficulty in movement of people and goods occasioned by different currencies that exist within the region and the poor performance of these currencies at the global stage. For instance, Nigeria that has the biggest economy in West Africa, its Naira is unstable and currently exchange at N700 per US \$. Hence, this study examines the prospects for Nigeria in ECOWAS currency convergence.

4. Methodology

This study utilizes both primary and secondary sources which comprises interview and qualitative documentary analysis (QDA) based on key informant interviewee and the preceding studies review. The adoption of this method was informed by the fact that information from key informant interviewee and reviewing the previous studies helps the researchers to easily identify the weaknesses and strengths of other relevant studies which pave way for addressing such gaps and coming-up with new findings. Hence, the researcher employed the use of the purposive sampling method. This sampling method involves a deliberate selection of informants based on the knowledge they possess on a particular subject matter. Purposive sampling was used to select 2 academicians, a director each of the department of African affairs and Nigerian institute of international affairs at the Federal Ministry of Foreign Affairs, some ECOWAS officials at the ECOWAS Secretariat Abuja, a director each of the department of monetary policy and trade & exchange at the Central Bank of Nigeria and two branch managers of Commercial Banks. This makes a total sample size of 12 interviewees.

Interviews (which were recorded) were used to collect data from the respondents with the aid of a semi-structured interview guide. After the interviews, primary data was sorted from the recordings of interviews and transcribed. Using thematic analysis, primary and secondary data were coded into themes, highlighting the relationships that exist between the themes to arrive at relevant conclusions.

5. Currency Convergence

Indeed, highlighted in the literature on currency convergence, in order to reduce complexity in monetary transactions and eliminate exchange rate uncertainty, among other things, countries adopt monetary cooperation (De Grauwe, 2000). In currency convergence, governments attempt to create "order" by identifying certain standards they seek to achieve over time such as currency convergence criteria (Lim,

2011). This is done in anticipation that, in the long run, their monetary systems can become more alike and merge into one larger system. For this reason, monetary cooperation requires a common “single” currency, a common central bank, and a common monetary policy thereby reducing the complexity in monetary transactions. Currency convergence is referred to as a single currency, an international or a common currency used by a union of national economies.

According to Meade (2009), a monetary union is established to replace its members’ national currencies with a single currency and establish a single central bank responsible for the monetary policy for the region. Currency convergence is the tendency of differences in real exchange rate between countries to disappear over time. There is no single precise definition of convergence in the literature and different statistical methods can be used to test whether convergence is present (Durlauf and Johnson, 2010). Currency convergence is therefore conceived as a process whereby two or more countries come together, and subject themselves to a single monetary authority or central bank. The monetary authority or central bank is responsible for the issuance of legal tender currency and formulates financial policies on behalf of member countries.

5. An Overview of ECOWAS Currency Convergence

In the context of regional integration, past studies such as Rose and Stanley (2005); Frankel (2010); and Cafiso (2011) offered tremendous support using gravity model trade and have made considerable literature on the relationship between intraregional trade and currency integration. In their scrutiny of over 180 countries, they concluded that currency convergence raises trade threefold. The development of the European Monetary Union (EMU) and the predictions of amplified ECOWAS monetary integration raise an alarming point on the fourteen African country prospects of using CFA franc currency. According to the scrutiny of Galy and Hadjimichael (1997); Fouda and Stasavage (2000), the adoption of the Euro affected the European member states, while Debrun et al. (2002) explore prospective winners and losers in ECOWAS monetary integration. Subsequently, all the conclusions of previous studies were on the stance that approved the continuation of the monetary integration under necessary, appropriate reforms such as fiscal restraint. Many studies such as Yusuf and Abdullahi (2020); Sagir, Irfan and Hüseyin (2019); Yusuf, Ahmad and Wali (2018); Ferdinand and Daniel (2016) among others have observed the effects of fiscal policies on the ECOWAS and CFA Zone, based on the credible commitment theory, and their consensus was government strict, and discipline convergence principles must accompany the prospected plans to ensure success. This study examines Nigeria's prospects and challenges in the ECOWAS currency convergence as a sub-regional leader and the support of the country towards the ECOWAS and its yet implemented currency (ECO).

According to West African Monetary Institute (WAMI, 2009), currency convergence is an integral component of economic unification and developmental process that climax in the adoption of a single currency policy by a number of countries conceding sovereignty on monetary issues to a sole monetary authority accountable for issuing a single currency integration, which comprises of explicit coordination of monetary policies and the collective pool of foreign exchange reserves based on the authority of common Central Bank. The ECOWAS organization would synergize with the West African Monetary Agency (WAMA), the West African Monetary Institute (WAMI), and the central banks in energizing and speeding up the enactment of a new road map for the single proposed trade currency. The proposed currency ECO is designated to boost and promote economic development and enhance cross-border trade in the West African sub-region (Salaudeen 2019). Adopting a single currency will help the ECOWAS develop policies to ensure free mobility of capital, labour, goods, and services among its members. Also, it will greatly enhance its members' monetary and economic integration (Wali et al. 2018).

6. Prospects for Nigeria in ECOWAS Currency Convergence

To ascertain the prospects for Nigeria in the ECOWAS currency convergence, the respondents were asked ‘What in your opinion are the prospects for Nigeria in ECOWAS currency convergence?’ All the 12 respondents acknowledged there are prospects for Nigeria in the ECOWAS currency convergence. While majority representing Ten (10/83.4%) of the respondents, stated there are prospects for Nigeria in the ECOWAS currency convergence with specific reasons mostly been the giant of Africa and her ability to mobilize other member states within the region. The remaining Two (2/16.6%) of the respondents simply acknowledged, there are prospects for Nigeria in the currency convergence with one of the two saying,

“there are prospects for Nigeria in the ECOWAS currency convergence but the internal crises facing Nigeria supersedes those prospects for Now.”

An ECOWAS official stated that “when you consider the possibility of Nigeria or her ability to mobilize other member state, you will know that the prospects are high. Nigeria have successfully mobilized other member states before and I believe such can be achieved in the ECOWAS currency convergence.” Also, a professor of international relations, despite the challenges facing Nigeria is optimistic that, “yes, there are prospects for Nigeria in the convergence programme, because the problem with Nigeria is not insurmountable, there can be resolved”.

Nigeria stands to benefit a lot from the currency convergence and to do everything possible to ensure the actualization of the currency convergence. A staff of the Department of African Affairs (DAA) at the Federal Ministry of Foreign Affairs stated that,

the prospect is still high. Nigeria stands to benefit a lot, our currency has really nosedived into something else, if we have one currency within the West Africa and the value is good, Nigeria stands to benefit; it will help to control the inflation rate in the country, there are a lot of benefits that the country stands to gain because our currency is nothing to write home about. You can imagine almost N600 to a dollar today. If we have ECOWAS currency convergence and it's competing favorably with currencies in the international community, it will be a very big plus for the country. So, we have a lot of prospects on that.

A respondent, acknowledged there are possibilities but we have to be patient, since the ECOWAS currency convergence is still a work in progress. In his words, there are possibilities, but we have to be patient because, it is still a work in progress. We have to be patient.

There is a general believe among respondents of the prospects for Nigeria in achieving her political interest in ECOWAS currency convergence to pave way for the achievement of the currency convergence within the region. Nigeria has high prospects of achieving its political interest in the ECOWAS currency convergence. As a hegemon, the most politically and economically powerful community should be able to have its way by influencing other member states. Nigeria has been a front runner in all of the successful ECOWAS policies and programmes, and the currency convergence will not be an exception. The currency convergence will be actualized once Nigeria's interests in the programme is ensured and that of other member countries. This is because the currency convergence programme is meant to benefit the region and the continent at large. This is in tandem with the submission of Ferdinand and Daniel (2016), that no country in the West African zone is able alone to resolve the serious externally-created monetary problems confronting third world nations, not even Nigeria, the continent's economic giant and the leading African economy by virtue of the size of its gross domestic product. Therefore, a unified stronger currency under the ECOWAS currency convergence will benefits Nigeria and indeed other member states.

7. Challenges Confronting Nigeria in ECOWAS Currency Convergence

In order to ascertain the challenges to the prospects for Nigeria in ECOWAS currency convergence, respondents were asked ‘What do you consider as challenges to the prospects for Nigeria in ECOWAS currency convergence?’ The essence of this question was to identify the challenges associated with the prospects for Nigeria in the ECOWAS currency convergence. A follow up question was also asked on the possible solutions to the identified challenges. Thus, ‘How can Nigeria overcome the identified challenges?’ In the end, all the 12 respondents that identified the challenges to the prospects for Nigeria in the ECOWAS currency convergence also proffered possible solutions to the identified challenges. The challenges facing Nigeria's prospects in the ECOWAS currency convergence are categorized into internal and external factors. The internal challenges include, failure of leadership, bad governance, economic instability and insecurity among others. The external factors refer to the interference from the Western world, particularly, France influence on the Francophone member states and the Britton Wood institutions like the IMF, World Bank and others. The second major external challenges refer to the different blocs in ECOWAS such as the Anglophone, Francophone and the Lusophone.

7.1 Differences between WAEMU and WAMZ blocs in ECOWAS: The positions of Francophone countries i.e members of the WAEMU who wanted their CFA Franc to be converted to ECO and pegged to Euro and France will serve as a guarantor as disclosed by the Ivorian president in 2019. This is against

Nigeria's political interest and the rest of WAMZ members who do not want ECO to be pegged but left to float. This is a problem because the 8 WAEMU members already have a single currency but Nigeria and others do not have. Nigeria prefers ECOWAS to manage ECO which will not threaten Nigeria's interest compared to allowing Euro to determine the exchange rate.

7.2 Economic Challenges: In the last decade, Nigeria has been suffering from various economic challenges such as poor revenue due to fall in oil prices, poor economic diversification, fall in the value of Naira due to exchange deterioration, poor economic development, etc. These problems pose serious challenges for Nigeria to achieve the 10 currency convergence criteria, especially in meeting less than 10% inflation, tax revenue up to 20% of GDP, fiscal deficit of less than 4% of GDP, stable exchange rate etc. So far, Nigeria has not made significant progress in achieving these criteria like Ghana and some few other countries which have made progress in most of the criteria. Without demonstrating leadership in fulfilling those criteria's, it will be a serious challenge for Nigeria to achieve its political interest in the ECOWAS currency convergence, because as a leader, Nigeria must lead by example.

7.3 Political Challenges: Nigeria is faced with numerous challenges, ranging from huge governance problems which affects its national image such as political incompetence, corruption, disregard for the rule of law, policy inconsistency, insecurity and poor conducive environment for doing business.

These challenges are in tandem with the findings of Yusuf and Abdullahi (2020) who conducted a study on the role of Nigeria in the ECOWAS and its support towards the common proposed currency eco that loyalty to colonialism and the francophone country's long-existing monetary cooperation towards France was the strong blockade of the proposal of the single currency as well as ECOWAS member nations were unable to reach-up to the set of convergence, which resulted in the shift and delays on the establishment of the common currency date. This finding also agrees with the views of Udeh (2011); Yusuf, Ahmad and Wali (2018) on the influence of France over francophone member states.

8. The way Forward

Nigeria should play a serious diplomatic role in convincing the WAEMU bloc to allow ECOWAS to manage the ECO, and should not be pegged to EU or guaranteed by France. Nigeria should address the problem of poor governance to improve its national image and regain the trust of its peers. There should be good leadership, corruption should be eradicated or reduced to the barest minimum, insecurity should be addressed, the environment for doing business should be improved by providing infrastructure. Nigeria should address the economic problem affecting the country such as inflation, exchange rate, diversify the economy, fiscal deficit, high debt rate etc. Nigeria should address the problem of insecurity and play a significant role in countering terrorism in West Africa.

Nigeria should address domestic issues such as economic crises, security crises, and other challenges to be properly fixed to help the Commission actualize currency convergence. It is a stronger Nigeria that will build confidence among member states and be able to withstand external influences from countries like France that have vested interests in the currency within the region.

3. Conclusion

The potential benefits for Nigeria and other member states in currency convergence are enormous. Hence, the need for Nigeria to live up to expectations and galvanize support within the region to ensure the actualization of currency convergence. The kind of energy and support on the side of Nigeria towards the realization of the ECOWAS passport and many successful military operations within the region to strengthen democracy is much needed in the pursuit of the ECOWAS currency convergence. There is a need for Nigeria to live up to expectations and galvanize support within the region to ensure the actualization of the currency convergence and for the regional organization to do all it could to have a unified stronger currency under the ECOWAS currency convergence to enjoy the benefits of globalization, strengthen regional integration and promote the economic development of the region.

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