THE ROLE OF NIGERIA IN THE ECOWAS AND ITS SUPPORT TOWARDS THE COMMON PROPOSED CURRENCY ECO

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Abstract

Nigeria is the arrowhead of the Economic Community of West African State (ECOWAS), which was emerged in Lagos on May 28, 1975, as a regional institution consisting of fifteen nations. The establishment's essence is to integrate the region into the single economic bloc and to ensure sole currency existence, which has been on the agenda of the head of the state meetings. The study adopted Qualitative approach and used document or library sources as well as employed regional integration theory in order to elaborate on the big-brother and sub-regional leader role of Nigeria in the region. The study found 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. It was also discovered that in the efforts to embark on the process, two fast track approaches were being agreed upon towards the realization of the common currency. The first track meeting was held in Accra, Ghana, in April 2000, proposing that the West African Economic and Monetary Union (WAEMU) were to create a second Monetary Union by July 2005 termed the West African Monetary Zone (WAMZ), mainly comprising of Anglophone countries. The second track was stressing on the consequent merging of the WAMZ and WAEMU to form a common currency union in the region. The study went further to provide some suggestions toward the implementation of the common currency in the region.

Keywords: Nigeria, ECOWAS, Single Currency, Regional Leader.

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INTRODUCTION

The notion of regional union establishment in west Africa was first suggested by Liberian President William Tubman in 1964. Later in 1965, the proposed treaty was signed by Liberia, Guinea, Sierra Leone, and Cote d'Ivoire, but unfortunately did not have a long-lasting effect (Ofodile, 1994). The United Nations Economic Commission for Africa (UNECA), which are the acting instrument of the (ECA), played a tremendous role towards the fulfillment process of the African integration by acting in the background, especially amidst the pre-phase of the West African state's agreement towards the establishment, execution as well as the implementation of the Economic Countries of the West African State (ECOWAS) (Gans, 2006:26).

Consequently, the notion did not perish because, in 1972, the Former Nigerian President General Yakubu Gowon and Togo former president Eyadema came up again with the union's idea; still, it was not successful due to the Communaute economique de l' Afrique de l'ouest (CEAO). Fortunately, in 1959 the former French president renders tremendous support through francophone African countries to the establishment of the organization. The CEAO was competing with ECOWAS, which were perceiving as the counterpart of the Nigerian dominance in the region until it turned obsolete in 1994 (Boom, 1996). Also, the CEAO formation was perceived by Nigeria as a mechanism of limiting its influence in the region, especially on how Nigerian drew enormous influence due to its oil boom in the 1970s (Boom, 1996:57).

According to Van da Boom analysis, the main reason Nigeria and the rest of the francophone countries gave-in to the formation of ECOWAS is; firstly, Niger and Benin both get power via their new regimes, they both disposed positively to Nigeria, and they succeed to distance themselves from France through the positive commitment to Nigeria. Secondly, Senegal and Cote d'Ivoire induced so many reasons to cooperate with Nigeria than standing against it. Finally, Nigeria symbolized the African State's interest and viewpoint; it emerged influential in the European Union (EU) – Afrika Karibik und Pazifischer Raum (AKP) negotiations and highly respected by other countries (Boom, 1996:57).

The establishment of a draft treaty in 1973 occurred after repeated meetings of West African states, whereby jurists and expert examined the treaty in which 15 states of West Africa, namely, Nigeria, Ghana, Benin, Gambia, Burkina Faso, Guinea, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Liberia, Mauretania, Sierra Leone, Togo, and Senegal, finally signed the "Lagos treaty" on May 28, 1975, for the Economic Community of West African States (Fischtschenko, 2012).

Among the vital essence for the establishment of ECOWAS is to ensure the implementation of a single currency in the region as a fundamental integrating element, simplifying people's free movement and equal trade. Unfortunately, the ECOWAS member states were unable to meet-up with the requirement and reached consensus for this objective due to lack of political-will and security threat, fear of power from the stronger nations over weaker country's as well as fear of the loss of revenue through the establishment of the common currency among the ECOWAS countries (Fischtschenko, 2012). Hence, the present study aims to elaborate on the Nigerian contributions and support towards ECOWAS and its efforts towards the yet implemented single currency in the region.

Consequently, all the ECOWAS member states were under British, French, or Portuguese authority, excluding Liberia, which was formed in 1821 by the United States for its freed slaves. Since independence, the
states of West Africa were devastated with dominance and escalation of interest from their former colonial powers due to their natural resources and raw materials (Rönnbäck, 2008:1). Rönnbäck also emphasized that the province was becoming strategically fascinating for numerous external actors, especially the province's regional leader, which is Nigeria because it is the biggest oil-producing country in Africa and among the top ten globally.

![Figure 1: Contributions of Member states of ECOWAS (2018)](source: Chukwudiebere (2018))

Nigeria is the arrowhead of the Economic Community of West African State ECOWAS, which is contributing enormously to the organization's development. In (fig.1), it illustrates the fifteen ECOWAS member countries' financial contributions for the sustenance of the bloc; Nigeria, in particular, is making a tremendous contribution of funds and other motivational support to the organization. In 12 years (2003-2015), it injected $710,497,352, which is equal to 480,355,205 Unit account (AU) of West Africa, and more than the contribution of 13-member-state put-together. Cumulatively, the 13-member states are Mali, Benin, Cote d'Ivoire, Burkina Faso, Gambia, Niger, Cabo Verde, Guinea Bissau, Liberia, Togo, Guinea, Senegal, and Sierra Leone, which contributed $697.947 million during the same period. The report was presented during the ECOWAS parliament Extra-Ordinary Session. The Unit Account (AU) of West Africa is the official nominal monetary unit to measure the currency used to reflect the real value. Also, in 2018, Nigeria was at the peak, followed by Ghana and Senegal, as the primary contributors for the sustainability of the organization (Chukwudiebere, 2018).

**LITERATURE REVIEW**

In the context of regional integration, past studies such as (Rose, 2004); (Frankel 2010); (Cafiso, 2011) offered tremendous support using gravity model trade and have made considerable literature on the nexus between intraregional trade and currency integration. In their scrutiny of over 180 countries, they have concluded that the
use of a single currency rises 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 countries' prospect using CFA franc currency. According to the scrutiny of (Galy & Hadjimichael, 1997); (Fouda & Stasavage, 2000), the adaptation 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 previous studies' conclusions were on the stance that approved the continuation of the monetary integration under necessary, appropriate reforms such as fiscal restraint. Many studies have observed the effects of fiscal policies on the ECOWAS and CFA Zone, based on the credible commitment theory, and their consumed consensus was government strict, and discipline convergence principles must accompany the prospected plans to ensure success. The present study will elaborate on Nigeria's role as a sub-regional leader and illustrate the tremendous support of the country towards the ECOWAS and its yet implemented currency (ECO).

**Regional Monetary Integration Theory**

The regional integration theory of modern research was pioneered by Viner's published work in 1950, in which he stated that the influence of welfare in the customs union is equivocal. His conclusion led to the overflow of papers until today. The theory received a tremendous deal of new perceptions and input in the 1950s that all disagreed with Viner's findings during the second wave of regionalism. Consequently, regionalization can take various institutional forms, going from a special agreement on a trade to a customs union or a deep integration that will harmonize some internal policies (Avitabile et al., 2016:14). A highly developed regionalism system can be spotted in the form of a complete-fledged political, economic, and monetary union. (Oman, 1994:34) proclaim that it is not just the economic aspect that exists, but also the member states' political concerns are predictable (Mansfield & Milner, 1999: 595).

Regionalization and integration are related to globalization, as "regionalization conforms as a response of globalization, and motivates the microeconomic forces that fuel globalization (Oman, 1994:11). Also at the same time, "globalization compound a process of change by constructing international linkages, the transmission of identities and ideas, and interdependence among the locations of production and infrastructure at the sub-state level, the national as well as international level." (Bods, 2001:28). Michalak and Gibb described globalization as a flamboyant fact in the world economic market, trademarking the national government's weaker commitments to multilateral trade principles, and prefers a trade blocs membership (Michalak & Gibb, 1997:265). Based on the Bach article for the volume of Schumacher and Igue, regionalism was described as "the notion, the ideology, the goals and policies that seek to convert a geographical area into a visible identified social space (Oman, 1994:34).

The African Economic Commission discovered a positive impact on developing nations to embark on the regional integration process, but precisely to achieve a unilateral trade liberation. Also, the countries' further commitment is required to implement deep integration, which can be portrayed by removing variances in product standards and national borders on a national level (Fischtschenko, 2012). Based on the (UNCTAD 2007: 45) reports, Mansfield and Milner stated that another factors influencing states to join regional agreement are "due to their interest in facilitating expansive commercial liberations than multilateral or unilateral strategies would be allowed, considering the nature of the domestic institutions and the interest of the persuasive sectors of the society." (Mansfield & Milner, 1999: 619). Relatively, security is another vital factor to be considered, as political scientists perceived that an upsurge in trade among members is reducing the risk of intraregional fights, in which security is the main essence of the EU economic integration union. Furthermore, according to Economic Commission for Africa, the arrangements for the regional integration were build based on this terms (Economic Commission for
Africa 2004: 10): A preferential trade area allows members to decide the tariffs of imports from members and non-members; In a free trade area imports from other members do not have tariffs and imports of non-members can be determined; Custom unions are free trade areas in which members impose common tariffs on nonmembers; In a common market free movement of the production factors (i.e., capital and labor) is allowed across national borders but within the integration area; In an economic union a unified monetary and fiscal policy exists, which include a common currency; In the political union, which is the ultimate stage of integration, members become one nation.

**METHODOLOGY**

This study employed a qualitative method using document/library sources on Nigeria's tremendous role to uplift ECOWAS and the African continent at large. Document sources such as books, journal articles, and newspapers, among others, were employed to illustrate the role of Nigeria in the Economic Community of West African State (ECOWAS) and also elaborate its tremendous support towards the new proposed currency (ECO). As the regional leader of the sub-region and for the development and prosperity of the African continent. The researcher employed this approach to view the previous study's strengths and weaknesses in order to develop new insights on the subject matter.

**RESULTS AND DISCUSSION**

The Nigerian Foreign Policy Towards ECOWAS

The foreign policy of Nigeria towards ECOWAS after its establishment was to consolidate on its developed Afrocentric doctrine of foreign policy that Nigeria was familiar with in the International ground since before the formation of ECOWAS, as it's the essence that subscribes the idea of Nigeria to take the lead in the newly inceptive organization in order to preserve its resourceful leadership status in the sub-region. (Egbo, 2003) claim that oil revenue provides Nigeria with a new impulse to exercise neutrality and a non-aligned stance in international events. The oil revolutions enhanced the economic development of Nigeria, and it engages in a foreign policy comprising of economic expansion into her bordering African states, thereby reached to the formation of the organization in May 1975, the Economic Community of West African States (ECOWAS) consist of fifteen-member state of West Africa (Institute of Army Education, 1977, p.11-13).

The Nigerian foreign policy approach towards the regional activities of the ECOWAS under the military regime focused on security in the region rather than economic development. The policy was perceived by Danjuma as Nigeria's consensus of instability in West Africa was as a result of underdevelopment and poverty, and in resolving the apparent economic and political problems, the causal factors must also be addressed; therefore, when Nigeria carried-out military and political gestures to a specific state or member states in West Africa, is signifying on addressing the issues of the entire sub-region (Danjuma et al. 2012). After the country transitions to a democratic era in 1999, Nigeria's foreign policy towards the regional agenda of ECOWAS is steered under its 1999 constitution, which shaped the objectives of Nigeria's foreign policy direction. The transition to a democracy rule on May 29, 1999, after persistent decades of military rule, the endorsement of elected President Olusegun Obasanjo led to the inception of the first republic, unveiling the shade of thirty-five years of autocratic rule and military dictatorship in the country. It also brought optimism and enthusiasm to Nigerians and international bodies,
especially the member states of ECOWAS, assuming the regional leader to lead by example, and optimized legal ground and credibility to ECOWAS protocol on good governance democracy (Omo-ogbebor, 2017). Evidently, the foreign policy of Nigeria has undergone different stages since its 1960 independence. From the very beginning, the country's foreign policy was designed to cater to the needs of the region of West Africa and the African continent. The early threat of the Nigerian internal challenges and political development did not render her attention from extending its contributions and assistance to ECOWAS. The country has proven its worth in Africa, particularly through the ECOWAS regional organization based on its well-crafted and articulated foreign policy, formulated to accommodate the challenges and needs arising in the region, in which each successive Nigerian leader has come to admit and act-on.

Despite all the domestic and external setbacks confronting the application, Nigeria's foreign policy approach towards the regional activities of ECOWAS remained consistent. The long decades of Nigerian Pro-Africanism foreign policy have included the West African region as part of its foreign policy to date, and it diligently regulates its role in the activities of the region. Subsequently, it's important noting that the hierarchical Nigerian government's foreign policy has directly or indirectly contributed to the continual survival of ECOWAS as a regional international organization and in spheres of security formation, the economic scheme as well as ensuring political stability through good governance and democracy. Therefore, Nigerian arrangement in ECOWAS activities is inducted through bilateral and multilateral diplomacy to ascertain the Nigerian international system's expectations as a regional leader (Omo-ogbebor, 2017).

ECOWAS Monetary Integration

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. The idea of monetary integration subscribes to the prospects of imperative benefits for participating nations; the meriting impact of the concept is a resourceful improvement, as it is the main essence of economic integration. In this context, the idea is of two scopes; firstly, the concept of monetary integration rest-assured that currency restriction will never obstruct trade among member nation-states. Furthermore, the obtainability of exchangeable currency is clearly a vital requirement for operative market integration, acquiring initial advantage for free-trade between member countries, and it also encourages changes in the allocation of investment in the combined market subscribing to secure inert gains from integration (Wali et al. 2018). (Itsede, 2002) also further described money integration as a continual arrangement extending from what economists considered ‘optimum currency area’ to a full-blown monetary union (Itsede, 2002). The perpetuity of a monetary union involves a strong bond of harmony among member countries. Also, (Cohen 2003) claims that the absence of governing power with attentiveness in ensuring the arrangement function effectual in terms acceptable to all, the permanence of a monetary union requires a strong bond of solidarity among member countries. Accordingly, (Cohen 2003) argued that in the absence of a dominant power with interest in making the arrangement function effectively on terms acceptable to all, there must be a genuine sense of community among the partners.

There were illimitable economic benefits when nations or groups of countries agreed to unite and collaborate at various levels; one such level of collaboration is the currency or monetary union. According to West African Institute (WAMI), currency union 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 (WAMI, 2009). 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 region (Salaudeen 2019).

Adopting a single currency will help the ECOWAS develop policies to ensure free mobility of capital, labor, goods, and services within its members. It will greatly also enhance its members’ monetary and economic integration (Wali et al. 2018). A single currency is also referred to as an international or a common currency used by a union of national economies. It is adopted by sovereign nations when they endow a single institution with authority to issue money and conduct monetary policy on behalf of its members (Cohen, 2003). Considering the reorientation of Africa in 1987 towards economic integration, the monetary cooperation program was adopted by ECOWAS as a strategy to facilitate the cross-border transaction and regional trade and attain the convertibility of a regional currency (Ojo, 2001).

The monetary union’s main problem is the damage of sovereignty and nations’ free will to solve domestic and external difficulties without consultation. However, despite the prevalent corruption amongst the governance of ECOWAS and other developing countries, incompetency of the democratic institutions and ethics to instills control and discipline in government and policies, the formation of reference benchmarks for member-states to adhere and to concede power to regulate monetary policy to a self-governing institution can be reflected as a forced discipline (Cohen, 2003).

Challenges Faced by the ECOWAS Organization and its Single Currency Integration

It is well noted that no organization is obstacle-free "ECOWAS inclusive," especially on the common currency objective. The inception of multiplicity in ECOWAS legal tender is part of the challenges concerning the recognition of single monetary unification. In the West African region, there are several weak currencies that were not convertible or exchangeable to one another, excluding those hanged, pegged, and attached to some foreign currencies such as franc CFA (Wali et al. 2018). Likewise, the existence of multiple or plenteous currencies caused risk on the exchange rate and uncertainty, a challengeable issue that is linked with the persistence of secreting trades in the form of inter-boundary smuggling by escalating unrecorded trade to be outsized. In this context, the contrabandist customarily acquires locally man-made goods at low-price and smuggled the goods to nations whose exchange is convertible. Moreover, they applied their sale-profit to purchased goods in that nation and smuggled the goods back to their countries in an instance where the local manufactures available may possibly not compete (De Grauwe, 2014).

Additionally, the economy of Guinea-Bissau as a total GDP of around $7 billion, which is lower than Nigeria's 13th largest state, Abia state has $8.7 billion; such economic variations in the region had makes uniform functional policy such as the trade currency extremely difficult (Salaudeen 2019). According to the African Development Bank Group (AfDB), the latest deadline for the single currency, which is (2020), may most likely be postponed again unless the region has reached its demand in aligning with its fiscal and monetary policies (Salaudeen 2019). According to the World Banks doing business report (2019), Mali, which was ranked 92, is the only country among ECOWAS countries that were included in the top-100 best-performing nations for "Trading cross boarders," Despite the long 48 hours that exports from Mali go through to comply with the bureaucratic
requirements at the border.

Regrettably, ECOWAS countries were lacking considerable efforts in closing the gap constraints on trading across its borders; for instance, Nigeria was ranked 182, and export compliance takes 135.4 hours, Cote d'Ivoire ranked 162 and export compliance takes 239 hours, Ghana ranked 156 and export compliance takes 167 hours. While on the other hand, Botswana, a South African state which was ranked 155, has export compliance of only 5 hours to comply with bureaucratic border equipment (Ordu 2020). Thus, This study is recommending and suggesting way forward to the ECOWAS proposed currency, regional development as well as the development of the entire African continent.

**Recommendations and the Way forward**

The study at this point is emphasizing the importance of noting that the idea of a single monetary zone in the ECOWAS bloc is for all member states benefit, and the merit far-outweigh any superficial cost. For a prospective date to be achievable in actualizing the single currency agenda, concerted efforts must be adopted by the whole ECOWAS member nations in ensuring the following:

1) The ECOWAS states must be willing to subordinate national interest upon regional interest and embark on primary product processes from the region to export to their member nations so as to enhance industrialization in the ECOWAS bloc.

2) The ECOWAS government should enact new policies that will promote and enhance in boosting intra-regional investment, employment, communication, and trade, in order to alleviate transport and communication barriers in the region.

3) The ECOWAS leaders must stop at nothing to ensure political stability regarding the entire region's peace and well-being.

4) As a regional leader, Nigeria must prioritize implementing the single currency for its economic well-being and development.

5) There is a need to encourage the Intra-regional trade among the ECOWAS member states. The region should establish a regional Board to encourage and promote intra-trade in the ECOWAS bloc through subsidies provision to the producers in order to serve as an incentive factor in the region.

6) The ECOWAS government needs to eliminate suspicion and distrust among the member countries, as well as make concerted efforts in closing the evident gap and easing of constraints on trading across borders.

7) All the ECOWAS member countries must be treated and seen equal and should be granted equity in voting rights and all matters of the organization for peace, stability, and regional development.

**CONCLUSION**

The ECOWAS member states must prioritize the mutual establishment of religious and ethnic harmony, political stability, and economic well-being in all their states. Nigerian efforts should be stressed to build a concerted and robust relationship between ECOWAS member countries and motivate the concept of monetary integrations that seem achievable in the region. The leaders must put aside their differences and unite to have the political will of implementing indigenously concerted programs without the outsiders' interferences.

The ECOWAS organization's arrowhead should ensure a synergic approach among its member states in
providing peace, tranquility, and harmony for the region's economic and political development. Even though some anticipated technical hitches occurred in the European Union (EU) instance, only 19 countries in 28 EU members are members of the Euro Zone due to economic disparity. In the case of ECOWAS, by applying togetherness and good-will, they can unite and implement the single currency even without the full member's inclusion, while the rest can embark gradually until it is fully implemented. The benefit of such currency will enhance specific nations to specialized on what they are good at, and be able to exchange with other goods that other nations in the region manufacture more efficiently, as well as assist in addressing the bloc's monetary issues such as the currency conversion difficulty and lack of central banks independence.

Finally, with the Afrocentric Nigerian foreign policy designed to consolidate the development of the ECOWAS and the entire African continent, there is a special need to re-strategize the member states character to grasp and perceived beyond their national boundaries and interest, which will therefore ease and simplify the synergy in harmonizing towards the monetary union actualization for prosperity and betterment of the region and the entire African continent.

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