
Conclusion

Our dissertation tried to gain insight into the possible implications of the euro behavior and the EMU economic activity on the economies of typical Sub-Saharan African countries in a bipolar international monetary system. Our aim was to fill a gap in the economic literature as we were looking for answers to specific questions: is the behavior of the euro vis-à-vis the dollar meaningful for Sub-Saharan African economies as a bipolar international system seems to stem from the euro advent? To which extent can the euro be a sustainable anchor for African Monetary Unions? Does the EMU business cycle have any implication on African economies? One of the “tour de force” of this dissertation, whilst answering these issues, was to gather various types of analysis tools in order to build both theoretical and empirical frameworks through which further research can be done.

Considering a typical Sub-Saharan African country whose exports and imports are respectively invoiced in dollar and in euro, Chapter 1 has built a three country model in which an interdependent monetary policy game between two big economies, especially that of the United States and the EMU, has an impact on outcomes of a small country monetary policy. The latter is assumed to pursue a financial stability. It was found that cooperation between big country monetary policymakers is beneficial for the small country whenever the shocks affecting big country economies imply changes in the euro-dollar exchange rate. Thus, we can argue that a more stable euro is preferable for African policymakers, at least in some aspects.

Chapter 2 has dealt with the issue of the sustainability of pegging an African currency to the euro as EMU monetary authorities pursue a “low inflation” policy and asymmetric shocks affect the anchor and the pegging country. The credibility model

used to understand the lasting existence of the CFA zone indicated that the key factor of this longevity is the virtual convertibility granted by the French Treasury to the CFA franc. It removes the multiple equilibria zone that features fixed exchange rate models. Indeed, the confidence stemming from the French Treasury commitment causes the private agents to always expect that the peg to the euro will be maintained. It has appeared that, moreover, without an “operation account” mechanism, the desinflation process implied by the European monetary integration could have increased the constraint of pegging a currency to the euro. It has also been shown that the unfavorable economic and political environment that prevails in many African countries is likely to make the currency peg to the euro more restraining.

In Chapter 3, the relationships between EMU and Sub-Saharan Africa’s countries are empirically investigated. This chapter showed that despite the appealing theoretical relations suggested by trade flows, the EMU business cycle and the European product prices have a limited impact on African country economies. But in the monetary area, the European Central Bank monetary policy leads significantly that of African countries according to the available data. African inflation performances follow that of EMU after some lags. This result confirms the “operation account” mechanism effect of Chapter 2 that allows African countries to momentarily have a worse inflation performance without any devaluation.

Chapter 4 empirically tackled the possible impact of euro-dollar exchange rate variations on Sub-Saharan Africa’s country trade balances. After providing a theoretical model of a typical Sub-Saharan African country trade balance that suggests an inverted J-curve-like effect, it is found that only the trade balance of Benin among ten countries is affected by the movements of the euro-dollar exchange rate. The result also suggests that the inverted J-curve-like effect works at least partially for this country.

All in all, our dissertation has launched a specific literature that analyzes the economic relationships between EMU and Sub-Saharan Africa in the context a bipolar internal monetary system. The challenge was to use analytical and empirical tools usually used to study other types of economies. Further research has to be undertaken in order to empirically test the theoretical insights on clearcut possible implications of the euro, the EMU economic activity and the bipolar international monetary system on Sub-Saharan African countries. As the lack of data allowed us to find only a limited evidence of what theoretical models suggested. It appears to us that this limited evidence is appealing further research.

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