

Competitiveness, Capital Movement Inward, and Economic and Monetary Union in WAMZ

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Abstract:- This unbalanced panel study employed Pool Mean Group (PMG) estimator to determine the impact of capital movement inward on internal competitiveness and external competitiveness of West African Monetary Zone (WAMZ). Data from World Development Indicators were sourced for period covering 1970 to 2017. The result showed that FDI has a positive impact on the internal and external competitiveness of WAMZ, ODA has negative impact on the internal and external competitiveness of WAMZ; and IBRD loan has negative impact on internal competitiveness and positive impact on external competitiveness. The result showed that the speed of adjustment though negative is not significant save for trade%GDP. The dual impact of capital movement inward on competitiveness implies that full capital account liberalization policy of WAMZ is not entirely effective to guarantee long-run convergence in WAMZ. In conclusion, capital movement inward e.g. FDI variables affect the capacity of WAMZ to achieve long-run convergence. There should be obvious reforms in WAMZ to accelerate market fundamentals necessary to ensure that inward capital movement improves internal and external competitiveness required to accelerate the achievement of macroeconomic convergence criteria (MCC) in terms of Real GDP and external reserves (trade growth) to sustain Eco EMU beyond 2020.

Keywords: Optimum Currency Area, Competitiveness, Economic and Monetary Union (EMU), Capital Movement Inward, Trade and Real GDP.

JEL classification: F2, F4, F13, F14

I. INTRODUCTION

The potential assumptions held by WAMZ authorities as it relates to the long-run realization of convergence (modified gradualist approach) could be premised on the argument put forward by the ex post Optimum Currency Area (OCA) theory (Frankel and Rose, 1997). Overtime, WAMZ has developed concerted strategies e.g. financial and trade integration strategies, to achieve macroeconomic convergence exemplified by the ex ante OCA theory e.g. Mundell (1961), McKinnon (1963), Ingram (1973), Kenen (1969) with essential success. Regrettably, WAMZ has been plagued with inconsistencies in 2005, 2009, 2011 and 2015 to achieve its Macroeconomic Convergence Criteria (MCC). However, much convergence targets needs to be achieved for WAMZ to be considered an economic and monetary union (EMU) sufficient to adopt Eco currency. In furtherance to achieving MCC, there are plans by WAMZ authorities to achieve long-run convergence necessary for the implementation of ECOWAS Monetary Cooperation Programme (EMCP) of 1987. EMCP is squarely built on trade facilitation and

enhancement of regional economic cooperation through a single currency called Eco (otherwise called Eco EMU). Adoption of Eco currency is a major regional policy thrust to accelerate trade facilitation and regional economic cooperation. The implementation of Eco currency is designed by the Economic Community of West African States (ECOWAS) to boost trade and eliminate currency-related (regional cost of transaction) problems inhibiting regional trade which in turn will fast track development of the region. How can WAMZ therefore attain long-run convergence? Two important variables are considered imperative to determine the possibility of WAMZ to achieve long-run convergence. These variables includes; the level of competitiveness of WAMZ and the extent to which capital movement inward are attracted into the region viz-a-viz financial integration strategy of WAMZ.

The effectiveness of Banjul Action Plan: pillar III: financial integration (full capital account liberalization (proxy by capital movement inward indicators) strategies to achieve convergence remain fundamental. The nexus between capital movement and competitiveness is traceable to the fact that capital movement generates appreciation of currency (distort competitiveness) and depreciation of currency (boost competitiveness) (Arhenful, 2013; Bakardzhieva, Naceur & Kamar, 2010) or it is contractionary or expansionary on output (Blanchard, Ostry, Ghosh, & Chamon, 2016). Competitiveness of West African Monetary Zone (WAMZ) is an end. It refers to the state of benefits over cost accruable to countries whenever factor element, efficiency element, and innovative element are optimally utilized to guarantee robust, sustainable and inclusive productivity in the long-run (WEF, 2016). Thus, the attainment of competitiveness would imply the ability of countries to achieve long-run convergence ceteris paribus. Additionally, the economic sense we try to extract from competitiveness, is that attainment of competitiveness is sine qua non to attainment long run convergence. The major concern revolves around the puzzle whether policy strategies initiated by WAMZ on CMI viz-a-viz capital account liberalization policy (sub-financial integration strategy) could guarantee long-run convergence in WAMZ? The subject matter in this discourse would focus specifically on the capability of WAMZ to achieve competitiveness (i.e. long-run convergence). Clearly, this paper focused on investigating the impact of WAMZ policy to attract CMI and how these inflows significantly contributes to WAMZ capacity to attain long run sustainability and

inclusiveness in productivity competitiveness (WEF, 2016) and the capacity to achieve economic benefit and deliverables for adopting Eco. This study strategically examines the impact CMI on WAMZ internal competitiveness (this term measures the capacity to improve domestic productivity as in Porter 1990) and external competitiveness (this term measures the capacity to gain market share in the global economy as in Ketels, 2016).

Conversely, one characteristic of the LDCs is the incessant capital account imbalance that affects economic performances. Thus, could capital movement inward be implicated on the impinging economic performance capable to affect growth paths? Helsinki et al (2012) clearly submit that capital movement could have been bane of accumulation of imbalance in European countries from 1992-2007. Also, Krugman (2014) findings on Euro crisis strongly attached claim on capital movement from core to peripheral. Capital account imbalances potentially acts as one of the disequilibrium factors on WAMZ balance of payment position and in turn reduces WAMZ competitiveness. From Chenery and Strout (1966) capital movement is import, more so that the attendant savings-investment gap and gaps in WAMZ capital account environment provides justification for the application of CMI to bolster adjustment and rebalancing of the net flow to accelerate economic-capital buffers in WAMZ towards the establishment of Eco currency. Thus, strategic capital account adjustment is required to fast-track market fundamentals necessary to provide system for WAMZ to achieve convergence for Eco EMU beyond 2020.

Lots of lessons could be inferred from the evolving Economic and Monetary Union (EMU) crises in European Union. As a matter of fact, the implementation of EMU in West African region could face similar challenges which raise doubt on the sustainability of Eco currency save a strong policy to insulate the economies of West Africa. The European Union EMU (EEMU) experiences, such as the crises in Spain, Ireland, Portugal, and Greece and the UK's Brexit is an eye opener that countries are not insulated from global and regional disturbances and shocks by becoming members of EMU. For example, in spite of the EEMU, debt crises within the Euro zone remain unabated. In the face of this obvious reality, therefore prior to the tentative date of 1st January, 2020 for the adoption of Eco currency, there are several issues that could be examined and be prioritized. One of such issues is to determine how ECOWAS/WAMZ EMU could be affected by the dynamical behaviour of financial integration and trade integration (e.g. capital movement inward), other include the sustainability and stability of Eco currency. The rationale for focusing on financial integration (capital movement) is built on the fact that financial intermediation enhances EMU (Bayoumi and Eichengreen, 1994; Jurak, 2007). Presently, EU rationalizes the importance of competitiveness on EMU, which could square well to enhance long run convergence in WAMZ (see also Barbe, 2009; Petrovic, Antevski, & Vesic, 2008; Saurina, 2006; and Pitelis, 1998). Could Eco EMU be insulated from global disturbances? The research gap in this

study is built around the fact that debate on the long run convergence of WAMZ for the adoption of Eco through its 2014 modified gradualist approach is still under heavy scholarly attention. This is the motivation of the study.

Before we delve into the nitty-gritty of the discourse, it is therefore imperative to explain what West African Monetary Zone (WAMZ) is. WAMZ is a subset economic unit of the Economic Community of West African States (ECOWAS). WAMZ is a fusion of six independent countries namely; Gambia the, Ghana, Guinea, Nigeria, Liberia and Sierra Leone. It was established in 2000 to improve the potentials of ECOWAS to implement Monetary Cooperation Programme (EMCP) drafted in 1987. However, WAMZ's MCC followed the EU Maastricht treaty to develop and establish its regional economic and monetary union programme sufficient to fast track the implementation of establishment of ECO single currency for the region. WAMZ Banjul Action Plan (BAP) 2009-10 rolled out capital movement inward liberalization policy and financial intermediation (WAMI, 2016) to drive EMU in WAMZ in order to stimulate conditions necessary for the realization of the currency union agenda of the region. It is imperative to note that BAP's CMI policy largely connects with Structural Adjustment Programme (SAP) capital account liberalization policy (proxy capital movement inflows) (McKinnon & Shaw, 1973) which deals with easing of capital control and the application of market-based rules to govern economic interactions. Therefore the impact of cross border CMI into the region would provide us clear understanding about the imperatives of CMI and the associated debate necessitating its flow into Emerging and Less Developing Economies (EMLDCs) on the basis of its impact on WAMZ internal competitiveness (productivity) and external competitiveness (trade).

A. Specific Objectives

This paper seeks to;

- Identify the trends in hypothesised variables in CMI and competitiveness
- Examine the long-run impact of CMI on internal competitiveness (proxy by RGDP), and;
- Investigate the long-run impact of CMI on external competitiveness (proxy by Trade % GDP and Trade Robustness)

II. LITERATURE REVIEW

1. Conceptual Review

Competitiveness is seen by Sala-i-Martin (2016) as long-term productivity mix of factors, efficiency, innovative elements that guarantee prosperity, inclusive and sustainable long-term growth. It is viewed as the capacity of country to achieve: debt free economy and improve standard of living (Scott and Lodge, 1985); high productivity, trade equilibrium and creation of job economy (President's commission, 1984); absence of balance of payment deficit and presence of economic goals attainment (Fagerberg, 1988); sustainability in

employment and welfare (European Commission, 2001); quality of foreign trade and expansion of real income at domestic level (OECD, 2002); responsive capacity of country's to global value chain (Atkinson, 2013); and beyond-GDP goals attainment for all citizens (Aiginger, Barenthaler-Sieber & Vogel, 2013). These foregoing definitions succinctly provides the basis for the choice in this paper to employ competitiveness as an instrument to proxy RGDP growth and trade growth targets in WAMZ.

On the other hand, capital movement inward (CMI) is desired by developing nations to implement their growth and development programmes. Attracting CMI financing is often a major challenge of LDC's globally. Generally, capital financing movements can be classified into capital movement inward (CMI) financing and capital movement outward (CMO) financing. CMI can be decomposed into earned CMI which refers to foreign exchange earned from international transactions e.g. export sales (services: innovations and goods: feasible commodities) earnings, remittances (Chimhowu, Piesse & Pinder, 2005; Makhoulf & Mughal, 2013) etc and unearned CMI which denote foreign direct investment, debt and external borrowing (Nkusu, 2013), grants (Mongardini & Rayner, 2009), Aid (Arhenful, 2013) and portfolio investment (Durham, 2003) etc.

2. Theoretical Review

OCA theory is decomposed into *ex ante* OCA and *ex post* OCA. *Ex ante* (traditional OCA) holds that conditions such as factor mobility (Mundell, 1961), degree of openness (McKinnon, 1963), product diversification of countries (Kenen, 1969), fiscal integration (Kenen, 1969), and financial integration (Ingram, 1973) should be attained and established to enhance macroeconomic for countries desiring EMU. *Ex post* dwelled on the endogenous structure of economies to attain convergence in the long run based on Lucas critique on rational expectation (Frankel and Rose, 1998). Thus, Frankel and Rose (1998) concludes that the suitability for EMU entry depends on the intensity of trade with EMU members, and the extent to which its business cycle are correlated with those other members. Hence, convergence criteria for EMU can be attained *ex post* rather than *ex ante*. It is upon the underlying philosophy of ex post OCA theory that this theory will be based. It is based on Frankel and Rose (1998) we examine the impact of capital movement on the capacity of WAMZ to produce and trade. Our focus is to situate the underlying thoughts in ex post (endogenous) OCA theory hence the concentration of this study on the long-term effect. This theory also connects with the gradualism hypothesis (catch-up) of ECOWAS-EMU for members who are unable to meet the convergence criteria prior to the lunch date of ECO single currency for the region.

3. Empirical Literature

One of the major vexed questions in economic literature is whether CMI affect growth? In terms of CMI effectiveness; Chenery and Strout (1966) two gap analysis, McKinnon-Shaw

(1973) financial liberalization, Ouattara and Strobe (2008), Odhiambo (2011), Bakardzhieva, Naceur and Kamar (2010), and Popovics and Calin (2015) depicts CMI are mixed. The theoretical and empirical strand clearly defines that "foreign finance augments domestic savings, provide assistance for capital formation and serve as a base for technology transfer" (Eichengreen 2003, p.3). At the extreme empirical implications of CMI are the dependency theory, the Lucas paradox (1990): capital has been flowing from poor to rich countries; allocation puzzle of Feldstein-Horiorka puzzle (1980) and Gourinchas and Jeanne (2006): of failure of capital to follow growth e.g. exemplified by China's net exporter of capital with high growth rate (as cited in Beranke, 2005; Blanchard & Milesi-Ferretti, 2009; Bonizzi, 2013), Stiglitz financial repression hypothesis etc. From these scholarly studies, the effectiveness of CMI is ambiguous and mixed.

CMI and competitiveness

Robust literature discusses the connectivity that exists between the foregoing CMI and competitiveness. Literature exist on Debt and competitiveness (Reisen, 1989), competitiveness and foreign direct investment (FDI) [(Ernst, 2002; Wamboye, 2012, Anastassopoulos, 2013), Competitiveness and innovation (Atkinson, 2013), Dutch disease (Adenauer & Vagassky, 1998, Nkusu, 2004), Competitiveness and clusters (Haraksingh, 2014) etc. Others include; debt and public debt (Resien, 1989), Dutch disease (over-borrowing syndrome) (Lartey, Mandelman & Acosta, 2008; Adeneauer & Vagassky, 1998) are relevant literature that defines the nexus between CMI and competitiveness.

III. MODEL SPECIFICATION

Based on Aiginger, Barenthaler-Sieber, and Vogel (2013) definition of competitiveness (see Porter, 1990) we specify competitiveness as a function of RGDP, trade % GDP, and Trade Robustness (openness). This trio classification provides a close substitute for ratio of input and output definition of competitiveness. We conceptualise competitiveness as the capacity to expand domestic output and capability to improve market share of locally produced goods in the global market *ceteris paribus*.

Given Competitiveness: internal competitiveness (RGDP) and external competitiveness (Trade Size, Trade Robustness) (3.1)

Capital Movement Inward: FDI, ODA, IBRD (3.2)

$RGDP = f(FDI, ODA, IBRD, POP)$ (3.3)

$TRD = f(FDI, ODA, IBRD, POP)$ (3.4)

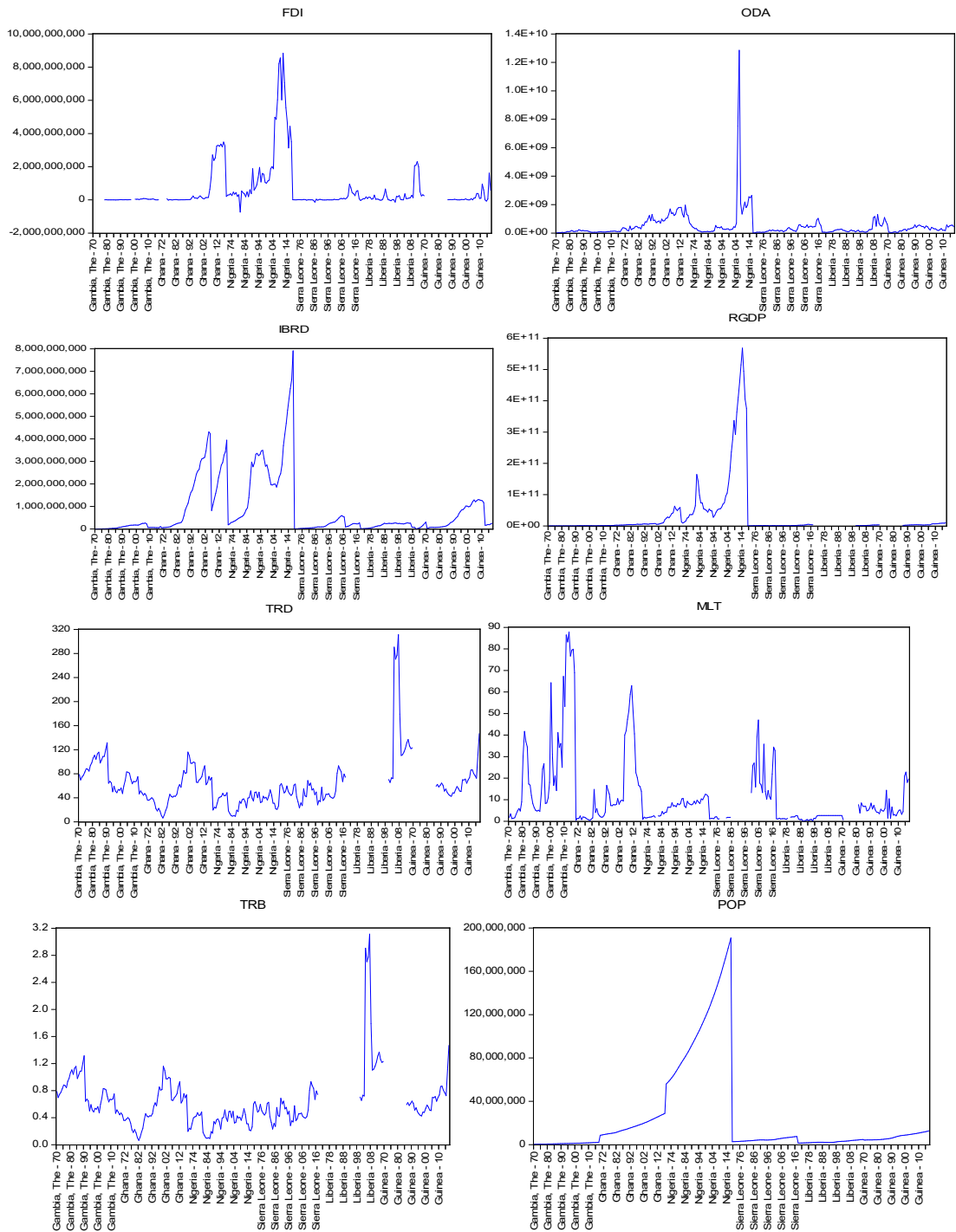
$TRB = f(FDI, ODA, IBRD, POP)$ (3.5)

where RGDP is Real Gross Domestic Product, TRD is Trade % GDP, TRB is Trade Robustness, FDI is Foreign Direct Investment Inflow, ODA is Official Development Assistance Inflow, IBRD is loans from International Bank for

Reconstruction and Development, POP is population, WAMZ is West African Monetary Zone.

Trend Analyses

The diagram below portrays the graphical illustration of all pooled variables in WAMZ. The diagrams include FDI, ODA, IBRD, RGDP, TRD, MLT, TRB, and POP. The figures showed that trend exist in the diagram. This trend reveals that the data are non-stationary.



Material and Methods

The data employed for this study were subjected to ADF unit root test and were differenced $I(1)$. The Hausman (1978) was conducted to determine the model specification appropriate for dynamic unbalanced panel study. Thus, pooled Mean group estimator was observed to be appropriate and desirable estimator for the study. The data used makes this study an unbalanced panel study. Thus, the Hausman result is given in table 1;

Table 1: Hausman Test Result

Null Hypothesis: Pooled Mean Group Estimator (Random effect) Alternative Hypothesis: Mean Group Estimator (fixed effect)			
Equations	Chi-sq. Statistic	Prob. Value	Conclusion
PMG (Random Effect)		Pvalue> 5 percent	
Real GDP Equation	6.3025	0.1777	PMG
Trade Equation	3.1557	0.5321	PMG
Trade Robustness Equation	3.1557	0.5321	PMG

Source: Prepared by the Researcher, Eviews 9

Pooled Mean Group (PMG) Estimator

Fitting equation 3.3, 3.4, and 3.5 into an econometric model, we follow Hausman test of 1978 to adopt PMG estimator in the class of other estimators e.g. Mean Group (MG), Dynamic Fixed Effect (DFE) estimators in dynamic ARDL. PMG is a dynamic panel ARDL estimator. According to Pesaran, Shin, and Smith (PSS) (1998), PMG/ARDL takes the cointegration form of the simple ARDL model and adapts it for a panel setting by allowing intercepts; short-run coefficient and cointegrating terms to differ across cross-sections. Hence, PMG is developed as;

Given an $ARDL(p, q, q, \dots, q)$ model (3.6)

$$y_{it} = \sum_{j=1}^p \gamma_{ij} y_{i,t-j} + \sum_{j=0}^q \delta' x_{i,t-j} + \mu_i + \varepsilon_{it}$$
(3.7)

Hence, ARDL was modified into PMG model by PSS (1998, p.5) given as;

$$\Delta y_{i,t} = \phi_i EC_{i,t} + \sum_{j=0}^{q-1} \Delta X_{i,t-j} - j' \beta_{i,j} + \sum_{j=1}^{p-1} \gamma_{i,j} \Delta y_{i,t-j} + \varepsilon_{i,t}$$
(3.8)

Where $EC_{i,t} = y_{i,t} - 1 - X_{i,t} \theta$ (3.9)

PSS (1998) adopted ARDL (1, 1, 1) model for balanced panel analysis. It is clear from the PMG/ARDL model that the dependent variable and the regressors have same number of lags in each cross section. The long coefficient θ and the

adjustment coefficients ϕ are further defined in log-likelihood function (Pesaran, Shin, & Smith, 1998).

This study employed PMG developed by PSS (1998) by adapting it into an unbalanced panel study. We however, in so doing, the study controlled for structural breaks viz-a-viz seasonal variation in country specific effect in WAMZ countries denoted by dummy variables. In other words, the model below modifies the PSS (1998) model for estimating a dynamic heterogeneous panel, using an unbalanced panel and accounting for seasonal dummy (least squares dummy variable model). Specifically, dummy variables were used to account for seasonal structural breaks in the WAMZ system. The results outcome could be important findings for PSS PMG model for developing economies. PMG decomposes coefficient into long-run coefficient and short-run coefficient. We modified PSS (1998) by transforming equation 3.3, 3.4 and 3.5 for an unbalanced panel analyses as;

$$\Delta LnRGDP_{i,t,m1-6} = \phi_i EC_{i,t} + \beta_1 LnFDI_{i,t-1} + \beta_2 LnODA_{i,t-1} + \beta_3 LnIBRD_{i,t-1} + \beta_4 POP_{i,t-1} + \lambda_i DGGDP_{i,t-1} + \varepsilon_{i,t}$$

where $EC_{i,t} = LnGDP_{i,t} - 1 - X_{i,t} \theta$ (3.10)

$$\Delta LnTRD_{i,t,m1-6} = \phi_i EC_{i,t} + \beta_1 LnFDI_{i,t-1} + \beta_2 LnODA_{i,t-1} + \beta_3 LnIBRD_{i,t-1} + \beta_4 POP_{i,t-1} + \lambda_i DTRD_{i,t-1} + \varepsilon_{i,t}$$

where $EC_{i,t} = LnTRD_{i,t} - 1 - X_{i,t} \theta$ (3.11)

$$\Delta LnTRB_{i,t,m1-6} = \phi_i EC_{i,t} + \beta_1 LnFDI_{i,t-1} + \beta_2 LnODA_{i,t-1} + \beta_3 LnIBRD_{i,t-1} + \beta_4 POP_{i,t-1} + \lambda_i DTRB_{i,t-1} + \varepsilon_{i,t}$$

where $EC_{i,t} = LnTRB_{i,t} - 1 - X_{i,t} \theta$ (3.12)

Where Δ is the difference, β_i account for slope coefficient, $EC_{i,t}$ speed of convergences, X_{it} represents regressors, Y_{it} regressand (dependent variable), FDI= foreign direct investment, IBRD=International bank for reconstruction and development, POP= population ODA= official development assistance, GDP= gross domestic product, TRD=trade size, TRB= trade robustness. m1=Gambia, m2=Ghana, m3=Nigeria, m4=Sierra Leone, m5= Liberia, and m6= Guinea.

In this study we estimated model 3.10-3.12, they are Real GDP (internal competitiveness) and Trade (% GDP) and Trade Robustness (external competitiveness) within the pooled mean group estimator.

Before the application of PMG, the researcher must determine the extent of cointegration in the model. Hence, Johansen Fisher panel cointegration test was computed for WAMZ.

Table 2 Panel Cointegration Test (Johansen Fisher Cointegration Test)

Equation	Trace Test (Fishers Stat)	Prob.	Max-eigen test (Fishers Stat)	Prob.	Conclusion
Real GDP	26.22	0.0100	26.97	0.0078	At most 1
Trade Size	35.34	0.0004	29.53	0.0033	At most 1
Trade Robustness	35.34	0.0004	29.53	0.0033	At most 1

Source: Eviews 9

Result Presentation

Pooled Mean Group Estimator (Panel ARDL Estimator)

Table 3 Pooled Mean Group Method Estimators						
	Internal Competitiveness		External Competitiveness			
	Size of Productivity		Size of Trade			
	RGDP		Trade (% GDP)		Trade Robustness	
LnFDI	0.01845	0.0408	0.237835	0.0000	0.380683	0.0000
LnODA	-0.0311	0.2184	-0.04021	0.4123	-0.0227	0.5506
LnIBRD	-0.0275	0.0234	0.16335	0.4123	0.54542	0.0000
LnPOP	1.00449	0.0000	-1.06071	0.0107	-2.11025	0.0000
CointeEQ	-0.82416	0.2484	-0.23477	0.0355	-0.2806	0.0984
D(LnFDI)	0.02294	0.4844	-0.0184	0.6693	-0.03373	0.5787
D(LnODA)	0.02791	0.0647	0.0808	0.0492	0.071243	0.1131
D(LnIBRD)	-0.08326	0.3642	-0.05347	0.6279	-0.03139	0.7212
D(LnPOP)	-3.75016	0.4721	4.84117	0.5304	15.31672	0.0968
C	2.86312	0.2343	1.3799	0.0565	1.749959	0.0953
D(LnDOPX(-1))					0.034908	0.0984
ARDL Model Selected	(1,1,1,1,1)		(1,1,1,1,1)		(2,1,1,1,1)	
Model Selection	Hannan-Quinn(HQC)		Akaike info (AIC)		Hannan-Quinn (HQC)	

Source: Eviews 9

IV. RESULT DISCUSSION

Findings

1. ODA would distort competitiveness in WAMZ which would have adverse on the realization of modified gradualists approach. FDI would improve competitiveness in the region, while IBRD has dual impact on WAMZ e.g. output declines and trade improves.
2. CMI could lead to over-borrowing and Dutch-Disease syndrome in WAMZ arising from its negative impact on WAMZ.
3. CMI has statistically significant long run speed of adjustment on trade size, while speeds of adjustment in output and trade robustness were not significant statistically.

The results are divided into two viz; internal competitiveness (RGDP) and external competitiveness (Trade %GDP and Trade Robustness (Openness)). Table 3 contain both the long-run and short-run results. Porter’s (1990) view on competitiveness squares well to situate the choice for the

hypothesized target variables in table 3. The ARDL model selection criteria for the three models is resemblance to PSS (1,1,1). The results showed that one percentage change in FDI bring about 1.8 % change in RGDP, 23 % change in Trade (% GDP), and 38 % change in trade robustness of WAMZ. From the corresponding P-value the long-run impact of FDI has positive and significant impact on internal and external competitiveness in WAMZ. Secondly, one percentage change in ODA leads to 3% decline in RGDP, 4% decline in Trade (% GDP), and 2% drop in trade robustness in WAMZ. ODA in the long-run is not statistically significant. Also, the third exogenous inflows instrument is the Loans from IBRD. Loans from IBRD have negative impact on internal competitiveness and positive impact on external competitiveness. The corresponding Pvalues in table 3 showed that IBRD loans are statistically significant on RGDP and trade robustness and statistically insignificant on trade%GDP.

The results emanating from the cointegrating equation coefficient showed that the speed of adjustment (necessary test for convergence) cannot be statistically guaranteed, in other word, though it appeared with apriori negative sign, it is

not statistically significant for internal competitiveness and external competitiveness (trade robustness). But there exist 23% speed of adjustment to long run equilibrium (long run convergence) which is the degree with which CMI can influence trade (% GDP) in the long-run

Implication of the Study

The results showed that in the long-run CMI into WAMZ in terms of ODA inflows and IBRD inflows could weaken the potentials of growth *internal competitiveness* and trade robustness *external competitiveness* in WAMZ. But, FDI positively affect *internal* and *external competitiveness*. Thus FDI remain relatively fundamental to be leveraged upon in order to enable WAMZ achieve long run convergence. The existence of long-run relationship between CMI on competitiveness implies that CMI remain fundamental determinants on enhancing competitiveness much more functional requisite to improve long run convergence. But CMI in general, the impact appears incongruent with extant ex post OCA theory. We could recall that ex post OCA provides the basis for which countries desiring to establish EMU in the long-run could be achieved. However the theory posits that business cycle symmetry and correlation of trade integration could be feasible ex post. Although, CMI co-integrate with competitiveness, CMI impact clearly do are consistent with apriori economic theories. Thus, the benefit and cost of entering EMU from the result could be envisage in terms of benefit (positive) and cost (negative) of the impact of CMI on competitiveness. Based on that fact that FDI has long run relational and long run impact on WAMZ, while ODA and loans IBRD meet partial requirement set out by ex post OCA theory because only long relationship can be guaranteed and it failed to meet long run impact on enhancing domestic productivity and trade growth (proxy for competitiveness). Implicitly we can affirm that ODA and IBRD loans are harmful or could lead to currency appreciation that affect output in the long run, that in turn affect the capacity of the region to achieve long run convergence. From, the negative impact it is clear that ODA and IBRD loans can cause departure of the region to achieve MCC in the long-run. However, implication of the results of speed of adjustment implies that; though this time series test is a necessary test for convergence, connotes that gradualism hypothesis might be unattainable. That is, CMI cannot aid WAMZ to attain long-run convergence.

V. CONCLUSION AND RECOMMENDATION.

From the findings of this study we therefore base on the signs and magnitude we conclude that FDI would provide benefit for WAMZ, than IBRD and ODA in the long-run. FDI should be the preferred CMI (full capital account liberalization policy) variable to enhance long-run capacity of WAMZ in terms of building productivity (internal competitiveness) and trade growth (external competitiveness) to enhance MCC. This study is consistent with Egbuna et al (2013) and Orji et al. (2014). Thus, we therefore recommend that WAMZ;

- Implement robust policy reforms that tend to accelerate effective utilization of available resources to drive long-run growth in the long-run.
- Undertake sustainable structural reforms, inclusive diversification, and set incentivising rules in order to deepen market fundamentals necessary to provide robust economic space for the achievement of MCC necessary for the adoption of Eco currency.
- Create an enabling environment for FDI to identify real sector that directly engages into productivity and trade.

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