GHANA-EU TRADE RELATIONS IN THE LIGHT OF THE ECONOMIC PARTNERSHIP AGREEMENTS (EPAs)

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DECLARATION

I, Rita Enyonam Archie-Danso, hereby declare that this dissertation, of which no part has been submitted anywhere else for any other purpose, except for where duly acknowledged, is the result of original work conducted by me under the supervision of Prof. Bluwey. I assume full responsibility for this work.

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Date

Date
DEDICATION

This work is dedicated to my parents, Mr. Archie Martin Danso and Miss Anna Dzide for their endless efforts. Beatrice Darko-Yeboah for being there for me through thick and thin. And also to everyone who is making a difference in the world.
ACKNOWLEDGEMENTS

I will like to acknowledge the efforts of my supervisor, Prof. Bluwey for his insightful guidance of this work. Special gratitude is reserved for Dr. Vladmir Antwi-Danso and Mr. Tetteh Hormeku of Third World Network-Africa for their contributions towards this work. I am also grateful for the support of my family and all who have contributed in diverse ways to this work. I appreciate all the efforts and encouragement received through my MA studies. Most of all, praise and thanks to the Holy Father above who made it possible for me to successfully complete this work.
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<tr>
<td>ACP</td>
<td>African, Caribbean and Pacific Countries</td>
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<td>CPA</td>
<td>Contonou Partnership Agreement</td>
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<td>EBA</td>
<td>Everything But Arms (scheme)</td>
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<td>EC</td>
<td>European Community</td>
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<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>EDF</td>
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<td>IEPA</td>
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<td>LDCs</td>
<td>Least Development Country(ies)</td>
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<td>STABEX</td>
<td>Stabilisation Export Earnings</td>
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<td>SYSMIN</td>
<td>System of Stabilisation of Export Earnings from Mining</td>
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<td>UN</td>
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ABSTRACT

Trade induced relations between the EU and ACP countries have historically been governed by a series of conventions and agreements. These conventions and agreements gave unilateral preferences to the ACP countries on the market of the EU. This however took a different turn since 1990 when pressure began mounting within and outside the EU for some changes to be made in the customary relations or partnerships that have existed between these two sides. This was because the conventions were not compatible with the rules of the World Trade Organization (WTO). They were seen as discriminating between developing countries. That aside, the ACP countries had not been able to take total advantage of this principle of non-reciprocity to upgrade and diversify their exports or their economies. Due to this the expiration of the Cotonou Agreement, a new agreement known as the Economic Partnership Agreements (EPAs) was proposed to replace the old agreement. This agreement has been heavily criticized by several scholars, civil society organisations and writers. This dissertation seeks to examine the criticisms whilst bringing to the forefront the prospects and challenges for Ghana which has signed unto this agreement but is yet to ratify it. This research employs the use of primary and secondary data. Primary data was gathered through unstructured interviews with resource persons who have relevant knowledge on the topic. The research looks at the unequal nature of the relations between the EU and ACP. It finally concludes that due to lack of proper measures in place, Ghana may benefit when it comes to trade but these gains may not be long-term once the agreement enters into force. Rather, these gains will have a short lifespan and Ghana may end up losing immensely due to the nature of the agreements. Ghana must ensure that it is able to ratify these imbalances and focus rather on a development oriented EPA.
CHAPTER ONE

INTRODUCTION

1.1 Background to the Problem Statement

The European Union’s trade relations with the 77 members of the African, Caribbean and Pacific (ACP) countries have traditionally been governed by conventions, which granted unilateral preferences to the African Caribbean and Pacific (ACP) countries on the European Union market.

The EU which was formally known as the European Economic Community (EEC) came into existence at the signing of the Rome Treaty in 1957 and that began a new chapter of economic relations between the two sides. Members of the EEC included West Germany, France, Belgium, Luxembourg, Italy and Netherlands. Countries among this six who still had colonies were dedicated to ensuring the prosperity of their countries and colonies. France, for instance, had a monetary and economic union with its colonies. Due to this, the treaty created an avenue for cooperation with the Overseas Countries and Territories (OCTs) of the EEC member countries. A relationship of trade which was non-reciprocal in favour of these OCTs which were African countries began. The Association agreement was succeeded by the Yaoundé Conventions of 1963. The joining of EEC by the United Kingdom then paved a way for the trade arrangements to be extended to the UK’s colonies in the ACP region.¹

Although the ACP countries are amongst the foremost vulnerable countries within the international trading system, the Lomé Accords, which regulated trade between the EU and ACP group of countries violated the World Trade Organization’s rules as they established an unfair discrimination between developing countries. A change was, therefore, required.² The Cotonou Agreement of 2000 opened the way for a new trading agreement based on reciprocal preferences. On this basis, in 2001 the World Trade Organization agreed to give a waiver to the EU to
continue providing unilateral preferences to ACP countries until January 2008. At the signing of
the second revised Cotonou Agreement, it was agreed in principle between the two sides that at
the expiration of the Cotonou agreement, a new agreement is proposed and negotiated. This
agreement was the Economic Partnership Agreements.

However, the EPAs, which were to replace the Cotonou agreement by the beginning of
the year 2009, posed significant challenges for many ACP countries. The negotiations with the
EU to establish the EPAs began in September 2002. For the purposes of negotiations, the 77
ACP countries were grouped into six negotiation regions (namely West Africa, Central Africa,
Eastern and Southern Africa, the Southern African Development Community, the Caribbean and
the Pacific). This was based on existing regional integration institutions. Prior to the final
signing of the agreement in 2014, many ACP countries, including Ghana, raised numerous
concerns about the potential benefits and challenges of the EPA on their trade relations with the
EU.

1.2 Statement of the Problem and Scope of the Research

Negotiations for the Economic Partnership Agreements sparked controversy amongst
countries which were supposed to be signatories to this agreement. The European Union holds
the position that Economic Partnership Agreements will promote development in the African
Caribbean Pacific countries by strengthening regional integration and stimulating investment.

On the other hand, the Economic Partnership Agreements have been criticised in many
ACP countries, including Ghana. The agreement has been viewed as a ploy by the EU to
liberalise African markets for cheap goods from the EU. The EU, on the other hand, is pushing
forward the EPAs as the means to promote sustainable long-term development in ACP countries.
Of the 77 ACP countries to date, 35 have signed the EPAs, with an additional 32 continuing to enjoy duty-free quota-free entry to the European market through the “Everything-but-Arms” program of the EU for least developed countries.\(^6\)

It remains to be seen whether the EPAs will succeed in promoting long-term sustainable development or if the agreements will simply avert the trade toward Europe by ACP countries without creating new opportunities for growth, as critics have argued. Prior to coming into force the of the EPAs, the system of unilateral preferences inherent in the Lomé Accord did not conform with the regulations of the WTO, as countries that did not belong to the ACP group at comparable levels of development were not offered the same benefits. The system was, therefore, unsustainable and open to challenge under the WTO by other developing countries. The previous agreements did not succeed at producing prevalent benefits for ACP countries as most of these countries had not succeeded in diversifying their economies, nor had they meaningfully improved their exports. Thus, it remains to be seen whether the new EPAs would inure to the benefit of ACP countries.\(^7\)

Due to the high level of interest shown by various social commentators, academics, international development partners and government on the issue of the EPAs, this study will focus mainly on the future benefits and implications of the agreement on Ghana’s trade relations with the EU.

1.3  Research Questions

This research attempts to answer the following questions:

- What is the basis for the EPAs?
- What are the objections levelled against the EPAs by ACP countries and West African countries (Ghana precisely)?
• What are the projected benefits that would accrue to Ghana upon signing the EPAs and conversely, the adverse consequences of refusing signs?
• Is signing the EPAs a wrong move on the part of Ghana?

1.4 Research Objectives

The following are the objectives of this research:

• to get a clear picture of the prospects and potential challenges of the EPAs to both Europe and ACP countries.
• to get a clear picture of the objectives being raised against the EPAs and the basis of the EPAs.
• to ascertain Ghana’s unilateral benefits and challenges from the EPAs.
• to assess Ghana’s future relations with the EU with and without the EPAs.

1.5 Rationale for the Research

At the moment, there is a high controversy about support for the EPAs in West Africa. Although a member of the ACP and the ECOWAS, Ghana has signed the EPAs much against widespread objections from various prominent groups within the country. The government remains silent and adamant to the objections. This study will, therefore, bring to light the long term expectations of the government and those of the opponents of the EPA. The results of this research will be a rational basis of the objections or the policies discussed.

1.6 Literature Review

A range of studies and researches have been conducted on the impacts of the EPAs but those studies have only sort to clarify alternative issues rather than the implications for trade.
Most of the studies that have been made have not specifically been on Ghana but rather on the whole West African economic bloc or other sub-Saharan economic blocs. A few books and articles have been reviewed in this section. These books and articles have dealt with issues on the dangers and prospects of the EPAs in general not restricting themselves to the prospects and/or dangers in the area of trade.

Keck and Piermartini conjointly assess the impact of EPA on SADC using a static general equilibrium model based on GTAP 6 database aggregated into 15 regions and 9 sectors. In their article, they discuss the region within the context of the EPAs which was under negotiation between the EU and ACP countries and how trade was meant to be liberalised gradually in a reciprocal manner by 2008. The EPAs are similarly projected to boost regional integration efforts which already existed within the ACP countries. The use of a computable general equilibrium model recreation of the EPAs’ effects on countries of the SADC region in this article brings out the diverse liberalisation circumstances that are compared. They discover that the EPAs been campaigned for by EU are meant to enhance the welfare of SADC countries as a whole. Thus this will ensue if falls in redundancy are considered. The fallouts of this are robust to disparities in significant model parameters. Further gains for most these countries, result from intra-SADC liberalisation. The likelihood of the EU undergoing an agreement which is free trade intended with other countries decreases assessed gains, but still remain mostly positive.

They add that, similarly, gains that have been estimated must be reviewed in a downward manner if liberalisation on agricultural products is not as comprehensive as a drop of import blocks for producers. They discuss what takes is likely to take place also at the sectorial level. At this level, the largest expansion in economies resides in the animal agriculture and processed food sectors of the SADC region, making production comparatively less attractive for EU–SADC liberalisation. For that analysis, they get an outcome that also shows the need for the
merging of tariffs from the Southern African Customs Union’s method to be attuned to replicate new import forms as tariffs are taken off. This they say, shows a huge possibility of expansion for bilateral trade partly accounted by the diversion of trade from the rest of the global community. Due to this, agriculture, specifically, livestock and processed food will experience growth at the cost of light industries engaged in production in most SADC countries. 9

With regards to welfare, the article points out that almost all SADC countries’ gain is mainly driven by the improvement with regards to trade and allocate proficiency. Nonetheless, the results of their analyses here also suggest that the potential gain from EU-SADC integration will be significantly lower when taking into account EU-Mercosur integration due to the presence of preference erosion. 10

According to Hurt in his article, “the Cotonou Agreement, signed on 23 June 2000, defines the new relationship between the European Union (EU) and the African, Caribbean and Pacific (ACP) states.” 11 It resulted from 18 months of consultations make a decision on the future of EU–ACP relationship which was going to be in existence when the Lomé Convention expired in the year 2000. In Hurt’s article, he highlights the changes the Cotonou agreement represents and stresses some on of the risks obtainable with the agreement for ACP states. The article assumes a neo-Gramscian perspective to show the new nature of the agreement and how it has moved the connection from one of cooperation to that of coercion. Highlighted here in this article, are the changes vitally embodied in the Cotonou Agreement on which emphasis of some dangers that may result for the ACP states are discussed. 12

The article further stresses on the new approach which has been taken by the EU by showing that it can be understood in terms of a hegemonic dominance of neoliberalism within political elites. This is most explicitly demonstrated by the EU’s major justification for the proposed changes which
is the need to comply with the core principles and rules of the World Trade Organization (WTO).

Hurt goes on to clarify that, evidently the agreement builds on trends that have developed over the history of the various Lomé Conventions, especially those apparent during Lomé IV in the 1990s. Some of the most important inclusions within this agreement are the practice of part of the European Development Fund (EDF) being used to support World Bank-imposed structural adjustment programmes (SAPs) and political conditionality, including a clause covering human rights embedded in it, representing to some degree, a thing which had been so vigorously opposed by the ACP states during the negotiations period of the Lomé Conventions which existed previously. The inclusion of development trends based on good governance, the increasing management and monitoring of financial aid provided by the EU and the rule of law were available in the mid-term review of this agreement which was to last for 10 years. 13

Hurt concludes by saying that, the central two claims of the new Cotonou agreement are its re-emphasis on a corporation between the EU and the ACP countries and the statement clearly indicating the priority of reducing impoverishment as an underlying goal of the relationship. The history of each of the Lomé Conventions and therefore the new innovations of the Cotonou Agreement that he outlines in the course of this article, displays the disciplinary role shown by neoliberalism from the termination of the Cold War in the early 1990s. It has been contended that, whereas the connection between the EU and ACP states has continually been political, the trends towards a need to stimulate and formulate the political structures and procedures of ACP countries alongside the EPAs, mentioned earlier, represent an understandable swing towards a very visible and politicised relationship. 14

In Ochieng’s article, he argues that Article XXIV and special and differential treatment (SDT) requirements of the WTO brings to light an amount of constrictions and openings to the enterprise and possibility of the anticipated EPAs between the EU and the ACP countries. It
further examines, the positions of the two parties during negotiations and maintains that ACP countries are bound to suffer ‘erosion of the development principles’ embedded within the WTO if there is a prevalence of the EU. It is pointed out that, the modifications that lie between the two parties over the desirability or applicability of free trade agreements being negotiated between developed and developing countries underneath the ‘strict’ jurisdiction of Article XXIV, and of the negotiation of contracts on facilities and the ‘Singapore Issues’, sum up a contestation over the ideologies of reciprocity and SDT within the WTO and its scope.

This article contends that, the variances in the design and scope (the constitutive features, legally and economically) of the projected EPAs between the EU and the six regional groupings of Africa, constitute a struggle over the WTO’s scope alongside the clarification and applicability of reciprocity with distinct and disparity of how the FTAs are treated between developing and developed countries.  

Ochieng concludes in this article by saying that, whether or not the EPAs will be pro-development is hinged on the agreement’s design and scope. Development-oriented EPAs will involve not only modernizations in their design and scope but similarly a ground-breaking explanation of present WTO rules or novelties of the existing WTO rules, precisely, Article XXIV and an extensive display of other SDT provisions. The economic and legal arguments of the EU defended by its traditional place, have been theoretically and empirically seen to be frail and incomplete. This article particularly challenges the conception of the EU on SDT as being neither helpful to the objectives of development of developing countries nor as a zero-sum game, which only inures to the benefit developing countries. It has been properly indicated that, provisions constituted by SDT can be internationally efficient. SDT being perceived not as a zero-sum game but as a win–win situation, has the power to aid in giving a more development-oriented concession in the negotiations of the EPA.
As indicated in Busse & Grobmann’s article, whether partaking in the EPAs would be an improved or an inferior decision for West African countries than a replacement of the present trade regime of the Generalised System of Preference (GSP) scheme is a different consideration. They further state that, to answer this question, there will be the need to consider the GSP scheme in detail. In this article, Busse and Grobmann have refrained totalling the impacts of a change to GSP treatment on the part of ACP countries for two reasons. First, change in tariff preferences that would be disadvantageous only to the three non-LDCs: Cote d’Ivoire, Ghana and Nigeria. Also, the majority of these countries’ exports instead of being affected, only particular products would suffer. The effect will only be large at a highly disaggregated product level, however. Second, is the issue of rules of origin in the GSP scheme which are more restrictive and can potentially harm West African exporters both from Least Developing Countries (LDCs) and non-Least Developing Countries (non-LDCs) considerably. Above all, they stress that making changes in this, is somewhat subjective, as assumptions on how importers and exporters will differently face these rules of origin.

Special GSP arrangements, which are also known as the ‘Everything but Arms’ (EBA) initiative, apply to the group of LDCs. The EBA initiative was effective on 5 March 2001 and later fused with the revised GSP scheme. It grants duty-free access to all products imported (except arms and munitions) from LDCs without any quantitative restrictions. Only three products were not liberalised then: bananas, rice and sugar. They were given duty and quota free access in January 2006, September 2009, and July 2009, respectively. Before that, duties on these products were gradually reduced.

Besides, there were duty-free tariff quotas for rice and sugar, which was increased annually. In principle, the special arrangements for LDCs were more generous compared to the general arrangements under the GSP or the trade preferences which were then available under the Cotonou Agreement. The EPAs was to include a rise in market entry preferences that ACP countries were
enjoying under the Cotonou Agreement, as the opportunity for more trade preferences was rather restricted on the side of Community, specifically due to the political sensitivity of liberalising trade in agricultural products.\(^{20}\) It was therefore likely that, ACP countries were least developed would have little motivation to partake in the EPAs, as they benefitted more from the EBA initiative. That need not be true. However, the rules of origins applied to ACP countries under the GSP which governs the EBA was stringent compared to the rules which applied to these countries under the Cotonou Agreement. Meaning to the end, under the EBA, producers from ACP countries that are least developed would have to use less imported materials, parts and components from other ACP countries ensure that they obtain duty and quota-free access to the EU than would be allowed under the provisions of the Cotonou Agreement.\(^ {21}\)

Perez and Karinigi (2007) in their article also examined the implications of the EPAs using a model known as general equilibrium analysis. They estimate the potential effects of this agreement by looking at variant levels of reciprocity in the obligations of the Sub-Saharan African countries. The article opens by giving a brief history of how the EU taken upon itself ensuring its preference schemes with ACP countries tallied with WTO rules by 1 January 2008. They further talk about how the only option retained in the Cotonou agreement was the change in existing preferences to a FTA between the EU and six Regional Economic Communities (RECs) representing ACP countries.\(^ {22}\)

In this regard, ACP countries maintain the gains of the preceding Lomé scheme, but must reciprocate the preferences on ‘substantially’ all imports from the EU.\(^ {23}\) The article furthermore discusses how the EPAs has been envisaged as aiding ACP countries to boost their integration in international trade. The article gives an insight to how allowing a prescribed base to the Lomé preferences, the EU’s reinforced the predictability of ACP economies and the credibility of ACP
governments’ commitment to economic reforms through the agreement. By giving a contractual basis to the Lomé preferences, they should reinforce the predictability of ACP economies and the credibility of ACP governments’ obligation to economic reforms through an agreement. In the meantime, the slashes in tariffs domestically in ACP economies are projected to make way for trade liberalisation to the profit of ACP consumers, who will enjoy price reductions, vis-a-vis the most competent ACP firms, which may ensure improvement their integration in the global supply chain.  

They further bring to the forefront issues that are of great concern such as the creation of FTAs between the EU and ACP countries which advances concern for African economies. First, Sub-Saharan African exporters already enjoy quasi-duty-free access to the European markets. They talk about the likelihood of European exporters significantly increasing their sales in the African markets and whether or not ACP exporters will be able to do the same in the European markets. Market access issues are not major obstacles for African producers on the European markets, but these producers face high transaction costs and supply-side rigidities.  

The article concludes that, given the undefined outlook of the EPAs for African economies, it is imperative to reshape the EPA initiatives by first, ensuring that an asymmetry of large levels within the European and African commitments be permitted. The terms of ‘substantially’ minimum obligations have not being given by the WTO regarding all trade implies, but the observations highlight that the 80% reciprocation could not be sufficient for the preservation of Africa’s its trade, fiscal and industrial balance. Furthermore, the EU would improve the result of the EPAs for the continent by permitting duty-free access for African imports, including the products from African ACP non-LDCs.
As such, the possible negative effects brought by the EPAs on the processes of integration African of trade should be addressed. As a result, intra-African markets integration, in addition to eliminating completely regional tariffs and the customs unions’ constitution, is a requirement for the EPAs to be implemented. It could ultimately be imperative for countries to probe further into the alternatives for the EPAs’ benefit and cost analysis objective. Looking at the potential cost of the EPAs, it may be found preferable, especially for the African LDCs, to rely on the EBAs if they can be contractualized. For the non-LDCs, the cost of losing part of their preferences with the use of the GSP scheme only, alongside opening up their markets for the EU under an EPA, should be weighed carefully. These alternatives will be possible only if they do imply that the ACP economies will lose the non-tariff benefits associated with the Lomé scheme.  

To sum it all up, the literature that has been reviewed all give a brief history of relations between the EU and ACP countries. They further point out how the different writers have diverse views of the EPAs. There are undeniably several controversies on how the EPAs are to become tools for development and boosting of economies. For some of the writers, the long-term benefits of the EPAs are limited. They predict losses for economies. And also the introduction of the principle of reciprocity in the trade relations between the EU and ACP countries can be very damaging to the asymmetrical nature of the trade.

On the other hand, some of the writers discuss the gains that will eventually accrue to some countries they have studied and how that can be possible for the other countries that are yet to sign the agreement. They also point out that there is the need to explicitly explore avenues for development through the EPAs.
1.7 Theoretical Framework

The discipline of International Relations has many scholars who have propounded theories and concepts which have developed from most at times opposing angles. Theories such as Idealism, Realism, Liberalism, Constructivism among others oppose each other with their different approaches, assumptions, conditions and criticisms. All these theories have reproduced family of theories and concepts which have mostly led to logical conclusions. This dissertation is cast in the theory of Cooperation.

“Cooperation among nations has become the focus of a wide range of studies in the past decade, a subject of interest to political scientists, economists and diplomats.” Cooperation as a concept for analysing how states and institutions are united for a common goal is an aspect of political relations that is very broad. There are situations where one may find states in conflicting relations and being unable to come to a consensus to cooperate with each other for common good. Joel Krieger says, “International Cooperation is the mutual adjustment of government’s policies through a process of policy coordination”. Robert Keohane and a number of scholars have also defined cooperation as coming to play "when actors adjust their behaviour to the actual or anticipated preferences of others, through a process of policy coordination." In turn, “policy coordination implies that the policies of each state have been adjusted to reduce the negative consequences for other states.”

It is vital to differentiate between harmony and cooperation, according to Krieger because harmony is a situation here one pursuit of an individual self-interest affects or enables others to achieve their goals. Cooperation, as such, does not necessitate states to confront conflicts of interest but rather it addresses the way states might be able to overcome conflicts to gain mutual benefits. The EPAs are, therefore, seen as a trade agreement which induces cooperation among
states towards a common goal such as development, easy access to markets and regional integration.

Cooperation may come about as a result of adjustments in behaviours by actors in response to the preferences of other actors. It can be negotiated in bargaining processes which are tactical. It could result also of an existing relation between two parties of which one is stronger and the other is weaker. It may come about as a commitment on the part of a person in the bid to ensure perceived self-interest.\(^{33}\) This aspect of cooperation can be explained in terms of the EU-ACP relations where the stronger party at this point is the EU which is more industrialized, has a stronger bond of integration and a broader market while the ACP countries can be seen as the weaker link with weaker markets, less industrialized and a weaker bond of integration.

Cooperation between the EU and the ACP countries has been a result of mutual agreement over the years. These relations have been voluntary and not forced on the ACP countries. It has been a decision for both sides to seek an avenue to cooperate on trade bound agreements and also takes up developmental issues to tackle.\(^{34}\) It has also been an avenue for the EU to help the ACP countries in developing their economies and building strong infrastructure which seeks to improve the lives of citizens of these countries. This paints a clear picture beyond doubts that the EU the stronger of the two sides. This is shown in the capacity of the EU to negotiate agreements, it’s resources, infrastructure among other things. Between the two, the cooperation is dominated by the EU which wields the power to cater for the needs of the ACP countries.

This is reaffirmed by Holland as he clarifies that the EU seeks to retain strategic economic interests and access to natural resources and raw materials that it enjoyed during the period of colonialism through the agreements. The main importance of cooperation is the level to
which inducements for cooperation can be seen as outweighing the benefits for acting unilaterally as expressed by James Doughtery and Robert Pfaltzgraff. The image projected by the trade relations between both parties show that both parties acknowledge the benefits they will gain acting cooperatively as compared to acting unilaterally.\(^\text{35}\)

The conception of cooperation is contained in two important elements. The first is that it assumes that each actor’s behaviour is directed towards some goal or goals. This is expressly seen in the behaviour of ACP countries coming together to agree on signing the first agreement which officially opened the way for trade relations between the EU and the ACP side. This action can be said to be a way for ACP countries to boost their economies and also to embark on development in their countries. Mostly, it need not be the same goal for all the actors involved as in the case of the EU whose main was to gain access to resources and raw materials they benefitted as colonial masters of the ACP countries. Which assumes rational behaviour on their part. The second important element is that the definition of cooperation implies that cooperation provides the actors with gains or rewards. The gains, however, may not be same in magnitude or kind for each state but they are mutual. The relations between the EU and ACP countries may not yield equal gains for both parties but will be mutual. Each actor helps the others realise their goals by adjusting its policies in the anticipation of its own reward. Each actor is not necessarily out to help the other though it is the anticipation of bettering one’s own situation through that leads to the adjustments in one’s policies.\(^\text{36}\)

In summary, cooperation is characterised by other elements. It is basically a voluntary act by actors to achieve well-suited ends. It usually comprises longer terms of engagements and need not be made up of actors whose strengths can be matched on an equal scale. Definitely, one side will be stronger than the other. There are greater gains to be achieved from working together as one group than acting unilaterally. Therefore, despite the fact that states involved in relations
may conflict on issues, there will always be the motivations to cooperate based on a perceived sense of common interest. Considering all these factors, this theory is best suited for this dissertation.

1.8 Clarification of Key Concepts

As this research progresses there some concepts that will be used constantly. Some of these concepts have been listed and explained in relation to this work. Below are some of the key concepts that have been identified and clarified:

**Cooperation** – In this research cooperation means working together to achieve something that is beneficial to parties involved.

**Agreements** – Agreements in this research mean a formal and written document which binds on parties involved. It also means a situation where parties involved have a similar understanding on a decision.

**Integration** – Integration in this research will mean the process of becoming part of a group of people in order to achieve a specific goal.

**Trade** – will mean the activity of buying and selling, or exchanging, goods between countries whether to gain financial returns or developmental returns.

**Partnership** – will mean the state of being a part of an agreement intended to earn long-term goals.

**Liberalisation** – in this research will mean the relaxation of government restrictions, in the area of economic policy.

These are not all the concepts that pertain to this research. Others will be clarified as the research is developed.
1.9 **Hypothesis**

The EPAs will widen Ghana’s trade imbalance with the EU.

1.10 **Sources and Analysis of Data**

The research employed qualitative research method seeking information from both primary and secondary sources of data. There are several books and articles on Europe and Africa which relied mostly on secondary sources of data. These books and articles are the secondary sources from which material was obtained for the writing of this research. Content analysis was carried out to help in the drawing of conclusions.

Resource persons from the Third World Network and LEClAD with adequate knowledge on the Economic Partnership Agreements were contacted to obtain information vital for this research because the EPAs are an evolving process, therefore, relying solely on secondary data may not yield the needed conclusions.

1.11 **Arrangement of Chapters**

The research is presented in four (4) chapters, namely:

Chapter 1 which contains the Research Design, comprising the background to the problem statement, statement of the problem, research questions, research objectives, rationale for the research, literature review, theoretical framework, clarification of key concepts, hypothesis, sources and analysis of data and the arrangement of chapters.

Chapter 2 discusses an Overview of the EU - ACP relations, from Yaoundé to Cotonou laying emphasis on EU-Ghana trade relations.

Chapter 3 discusses the prospects for EU-Ghana trade relations. This is the core of the research.
Chapter 4 establishes whether or not the hypothesis is justified and states the summary of findings, conclusions and policy recommendations.
ENDNOTES

3 Rajana, C., op.cit.
5 Antwi-Danso, V., op.cit. p.46
6 Ibid.
7 Ibid.
9 Ibid.
10 Ibid.
12 Ibid.
13 Ibid
14 Ibid
16 Ibid.
18 Ibid.
19 Ibid.
20 Ibid.
21 Ibid.
23 Ibid.
24 Ibid.
25 Ibid.
26 Ibid.
27 Ibid.
31 Milner, H., op.cit. p.515-528
32 Krieger, J. 2001, p.402., op.cit
34 Ibid.
35 Holland, M., op.cit.
36 Milner, H., op.cit. p.515-528
CHAPTER TWO

AN OVERVIEW OF EU - ACP RELATIONS BEFORE THE EPAs

2.0 Introduction

This chapter seeks to establish the basis for the EPAs which is the second objective of this study. It does this by discussing in chronological order, the relations and agreements that have existed between the EU and ACP countries.

2.1 Relations from Yaoundé Conventions and since Lomé

The code of Europe giving trade preferences to the ACP is actually entrenched in the 1957 Treaty of Rome.\(^1\) Official relations between the European Union and ACP group of countries commenced in 1975 with the signing of the first Lomé Convention but the beginning of such partnership is dated far back to the birth of Europe itself. The signing of the treaty of Rome in 1957 which brought the European Commission (EC) to life, created an avenue for the Overseas countries and Territories which comprised six signatories (Germany, Belgium, France, Luxemburg, Italy and Holland). Under certain clauses of the treaty, provisions were made for EU-Africa relations, especially part IV, which was designated to ensure the promotion of the economic and social development of the countries and territories and also to build close economic relations between them on one part and the community as a whole.\(^2\) By 1960, most British and French colonies were independent.

Sustaining strong bonds with the states that had been newly created became prevalent for the French government as the decolonization process, as it reduced the empire it had gained; it
threatened also its status as the world power. The overall objective of the French government was to maintain a domain of political and economic influence in Africa.³

In July 1963, the European Community and eighteen (18) African Associated States (AAS), formerly French colonies, signed the Yaoundé Convention, which became effective in June 1964. This first treaty was referred to as Yaoundé I. This treaty lasted for the first five years and expired on 31 May 1969. It was then replaced by Yaoundé II which went into effect from 1 January 1970 to 31 January 1975. The trade requirements of Yaoundé I was, in essence, an extension of the Rome Treaty whose main goals were to increase trade. The perception of the developing Commonwealth economies entering the association agreements, however, was divergent. And this made it imperious to look for a special arrangement that would take care of the interests of these countries, especially, those embedded in the Commonwealth Preferential System. For instance, the preferential trade treatment for sugar was one of these special arrangements. The Europeans drew a line between English-speaking countries invited to negotiate the association agreements with the EC, known as the “associables” (which comprised countries that belong to the Commonwealth in Africa, the countries of the Caribbean and the Pacific regions) and those who were called upon to distinctly negotiate trade agreements only with the EC, who were also known as the “non associables” (made up of countries belonging to the Asian Commonwealth, such as India and Bangladesh).⁴

It is worth noting that, the Yaoundé Convention was officially aimed at building up the economic independence of the 'associated' states, promoting their industrialisation and encouraging African regional integration, which eventually proved a contradiction in terms. Central to the Convention was the argument that the relationship between Europe and Africa was historically essential and economically a sine qua non. Another key thing was that the commercial regime of the Convention was based on the principles (which was already present in
the treaty of Rome) of reciprocity and non-discrimination. That is, the Yaounde countries were required to allow reciprocity in trade preferences fully, so that the European Development Fund financial assistance was given in return. More precisely, the French intention was that these countries would form a free trade zone among themselves, and as such, append their signatures to the reciprocal agreements with the EEC as a regional trade group eventually. Here, it can be seen that the proposed idea of a free trade area when the EC anticipated an EC-ACP economic agreement is not a new thing but just a reincarnation of the old colonial era.

Sissoko et al indicate also that, the trade provisions of Yaoundé I were, in essence, an extension of the Rome Treaty whose main goals were to expand trade. Therefore, the EC agreed to exterminate gradually, their custom duties on tropical products that were exported by the AAS without any protection from the Common Agricultural Policy (CAP), and also to enforce, for a period that was limited, a Common External Tariff (CET) against commodities that were similar to those imported from other developing countries. Examples of such commodities are cocoa, coffee, and bananas.

According to Lecotme, the first Yaoundé convention and its successor, Yaoundé II (signed 1969) eventually failed to create this EEC Africa free trade zone due to three main reasons which Lectome lists as follows:

a. Newly independent African states took on development strategies that were self-centred. These strategies on relied policies of protectionist trade, among other things. They therefore showed no enthusiasm to offer to their European partners, trade preferences.

b. International Companies belonging to the French, were eager to protect their companies from other European competitors due to the fact that, they could likely take their place in the traditional preferential positions which they benefitted from, in ex-French colonies.
c. Finally, the United States opposed Europe making Africa its restricted “backyard”, fearing Europe would gain privileged access to African markets and natural resources at its expense.  

After the Yaoundé agreements failed to achieve the creation of the EEC Africa free trade zone, it was succeeded by the Lomé Conventions which was signed in the capital of Togo.

2.1.1 Lomé I to Lomé IV

The Lomé Convention was cast in principles and objectives of the EU’s (then known as The EEC) cooperation with ACP countries. Its main characteristics were the partnership principle, the contractual nature of the relationship, and the amalgamation of aid, trade and political aspects, alongside its long-term perspective.

The Lomé I was signed in 1975 and had a five-year lifespan after which it was renewed. The Lomé II was also signed in 1980 and the Lomé III followed suit in 1985. In 1990, however, the Lomé IV was concluded with an effective period of 10 years. Lomé I being the first Lomé Convention was intended to include, after Britain became a member of the EC, certain countries which belonged to the Commonwealth, in the conventions of cooperation. The agreement was characterized by the following features

“a. the non-reciprocal preferences for most exports form ACP countries to EEC
b. equality between partners, respect for sovereignty, mutual interests and interdependence
c. the right of each state to determine its own policies
d. security of relations based on the achievements of the cooperation system.”
It also presents the STABEX system as a means of compensating ACP countries for the shortfall in export earnings due to the unstable nature of prices or supply of commodities. However, after the Lomé II, the preferential conditions given to ACP countries began to erode. In the negotiation process of the Lomé II in 1979, a different bearing towards the preference between ACP and Europe became conspicuous and the latter became less generous. Despite the fact, ACP group wanted an expansion of the STABEX, the SYSMIN was successfully introduced by the EC. This system allowed the EC to control the scope and degree of preference. The singular right to choose whether or not to provide funds to ACP countries was left in the hands of their European partners. Subsequently, the provision of all funds was done by the Europeans by the Lomé III. This included the ones which were under the STABEX system. The Lomé IV explicitly buttressed the structural adjustment measures of the World Bank. To be precise, the 1996 mid-term review of the Lomé IV merged for ACP countries, political conditionality with the development assistance. The aid policies of were matched with those of the World Bank and IMF later. The Lomé IV did not necessitate ACP countries to get approval from the World Bank and IMF to implement programs of economic reform, which were the conditions required to receive assistance under the regime of the Lomé conventions. In practice, however, the EU was not going to give aid to ACP countries without being approved by those international financial organisations.

The Lomé Conventions provided for equal sovereignty between ACP countries and their ex-colonial masters. It also established the autonomous rights of ACP countries to formulate for themselves policies that were development-oriented and make use of financial assistance. That
aside, it offered to ACP countries, favourable discriminative and non-reciprocal access to European markets as well as financial support (the STABEX system).\textsuperscript{14} Perhaps, the most prominent trade provision of the Lomé Treaty was the STABEX, which was specially designed to help the ACP stabilize their earnings from their exports which were primary and semi-processed to the EC. STABEX was a legacy of the colonial past, which especially related to British and French colonial policies, had its main aim as stabilizing commodity prices.\textsuperscript{15} Given the vulnerability of most ACP countries to both economic conditions and natural disasters, along with their reliance on earnings from exports of raw agricultural goods, the aim of STABEX was to assist these countries in achieving a stable, profitable and constant growth of their economies.\textsuperscript{16} “The Lomé Conventions, which stipulated the principle of equal status on the one hand and gave one-sided financial assistance and preferential trade conditions to ACP countries, on the other hand, represented the typical North-South relations at that time.\textsuperscript{17}

The Lomé trade preferences granted advantages to ACP products imported into Europe in relation to competing products from other countries. The original aim was “to promote and diversify ACP countries’ exports, so as to favour their growth and development.”\textsuperscript{18} This regime has been seen as the most generous European trade arrangement with third countries, although a careful analysis reveals the actual extent of preferences appears limited. Preferences were granted to countries with little export potential in manufactured products. They did include substantial preferential margins for certain agricultural products that did not compete with European ones but rather, included more limited ones for those that did potentially compete (CAP products, horticulture).\textsuperscript{19}
Unlike Yaoundé II, the Lomé Convention went a step further by implementing the system of non-reciprocity requested by the AAS, providing the AAS a greater access to the EC markets, redefining the rules of origin, giving away a special protocol regulating sugar and providing a special treatment for beef, rum and bananas. Thus, more than 99.2 per cent of ACP exports originating in the ACP region (which includes 96% of agricultural exports) were allowed to enter duty-free and quota-free, the EC markets without imposing the exporting ACP states the system of reciprocal preferences. Only those commodities that were covered by CAP were refused free access to the Community. Moreover, tariff barriers based on quality and health regulations were maintained, despite ACP opposition, on the ground that they were under each individual EC state's prerogative.20

Four rounds of renegotiations and five consecutive Lomé conventions brought little changes that were quite significant. Eventually, though, the EU used the fifth round of renegotiation of their cooperation agreement with the ACP, which took place between 1998 and 2000, to profoundly transform it, and in particular to reform the EU-ACP trade regime.21 The Lomé conventions was succeeded by the Cotonou agreements which were an improvement of the Lomé Conventions.

2.2 Cotonou Agreement

The Cotonou agreement, which was between the member states of the European Union (EU) and countries of the ACP marked the fifth generation of agreements that had taken effect between the sovereign states of the ACP-EC. It is the world's largest financial and political framework for the cooperation of the North-South. The Cotonou Agreement also known as the Cotonou Partnership Agreements (CPA) was signed between ACP countries, which numbered 77 and member states of the EU (15 in number) at the economic capital of Benin on 23 June 2000. This agreement came to take the place of the Lomé Convention. The Cotonou Agreement
comprises six parts with 100 articles, and was set to be effective for a period of 20 years with revisions every five years during the period. The Cotonou agreement differs from the Lomé Conventions in a number of aspects. The most important of all is that the Cotonou Agreements was a framework agreement consisting of objectives, principles and options for instruments while the Lomé Conventions were self-contained rule systems. This appears from several facts.

This special partnership has non-reciprocal trade benefits for ACP states as its characteristic. It also included unlimited entry to the EC market for 99% of industrial goods and many other products, especially for the Least Developed Countries (LDCs), which number 39 in the ACP grouping. In addition, for each ACP country and region, aid packages were regularly updated.

The agreement was characterized by certain features which made it not so similar to Lomé Convention. The main features of the Agreement are listed by Babarinde as follows:

a. Recognition of diversity and regionalisation in determining the priorities of and measures for economic cooperation, the EU will attribute importance to situations peculiar to the target countries and areas, including their economic development situations and long-term development strategies. However, the basic policies of promoting the development of private sectors and regional integration, which is a key to the integration of ACP countries into the world economy, will be maintained. Under the Agreement, the EU will promote relations with individual areas and countries of ACP, not with ACP countries as a whole.
b. **Compatibility with WTO rules**; compatibility with WTO rules is repeatedly referred to. To this end, the EU and ACP counties will pursue the enforcement of ‘(regional) economic partnership agreements’ (EPAs/REPAs). During the transition period, the preferential conditions granted to ACP countries under the Lomé regime will be maintained. The Agreement provides for the establishment of reciprocal free trade areas between existing customs unions or those to be established in ACP countries and the EU through EPAs. In the same token, the STABEX and SYSMIN systems, which are nonreciprocal preferential systems under the Lomé regime, will be abolished, and the special protocols will be reviewed. The fact that the preferential systems contributed little to the industrialisation in ACP countries justified the discontinuance of these systems by the EU.

c. **Strengthened conditionality** Economic and political conditions will be imposed on individual assistance projects to be implemented under the Agreement. The EU will not automatically give assistance to ACP countries; the provision of assistance will depend upon the performance of the ACP side in terms of respect for human rights, compliance with democratic principles, governance by laws, institutional reforms, utilisation of resources, reduction of poverty and measures to achieve sustainable development. The EU could suspend the provision of assistance depending when necessary. Assistance programs will be designed for individual ACP countries based on country cooperation strategies, and a size of aid budget will be determined accordingly. The EU will initially give assistance to ACP countries for five years, and depending on the performance of these countries, the EU will decide whether to increase or decrease the amount of financial assistance every five years. The Lomé Conventions are characterised by ideological neutralism while the Cotonou
Agreement allows the EU to intervene into politics and economy of ACP countries through assistance. This implies that the EU has the sole right to choose whether to give assistance, and the possibility that the EU will make arbitrary decisions based on this advantageous position cannot be denied.

d. Participation of the private sector and civil society in the development process.

Poverty reduction measures, which are the main target of the Agreement, shall involve reforms in sectors of politics through regional cooperation, economy via private sector development, structural reform and reforms in individual industrial sectors, social with particular reference to younger generations and equal opportunity, cultural and environmental aspects. When it comes to conducting development projects in ACP, the agreement calls for provision of relevant information to local civil societies and approval from them to ensure the participation of local stakeholders.  

Another exclusive feature of the ACP-EC agreement was discourse and the merged administration by the Community and the ACP with regards to its content. ACP states were given the chance to table requests which were negotiated in a mutual manner with the EC.  

Institutions permitted a perpetual dialogue which comprised of a yearly ACP-EU Council of Ministers’ regular conferences of the Committee of ACP Ambassadors which was aided technically by a Brussels-based ACP Secretariat which was permanent. ACP Parliamentarians and Members of the European Parliament met bi-annually in a Joint Assembly. Here, partnership issues were discussed.

A National Indicative Programme (NIP) which was negotiated on a mutual basis by the EU and an ACP state and made development targets. For instance, in primary education or
health, it contained a five-year costs pledge for each country custom-made to meet those needs. Under the Cotonou Agreement, the EU had a commitment of paying €24 billion as financial aid to ACP states over the initial seven years, which, included the €9.9 billion that was to be given under the eighth EDF in accordance with the Lomé IV in February 1997. The NIP was funded out of the European Development Fund (EDF) which was the financial protocol to each agreement. Contributions to this were made by the EU member states.

The EDF also conventionally made funds for regional cooperation available, for the EU’s remaining OCTs, humanitarian and emergency aid and for Non-Governmental Organisations. The European Investment Bank’s (EIB) loans were that basically for infrastructure, became a feature of this cooperation too.  

2.3 What are Economic Partnership Agreements (EPAs)

The EPAs are a process which dates back to the signing of the Cotonou Agreement. They are a set of trade agreements that are WTO-compatible which go beyond conventional free-trade agreements. The focus of this agreement is the development of ACP countries taking into consideration the socio-economic situations and co-operation and aid to help ACP countries benefit from the agreements. They are tailor-made to fit certain regional circumstances.

2.3.1 The Economic Partnership Agreements

The expiration of the Cotonou agreement paved the way for negotiations of the EPAs. At the signing of the Cotonou agreement, it was agreed between the EU and ACP countries that, at the expiration of the Cotonou agreement, a new agreement was to be initialled which was compatible with WTO rules. This was due to the fact that the Cotonou agreement could not be
extended as that would not be permitted by the WTO since it had given enough waiver for a new agreement to be initialled.

Issues that are of relevance in the EPAs are Reciprocity, Regional Integration and the issue of the Most-Favoured Nations clause (MFN) so that it becomes compatible with the rules of the WTO. These issues have been explained briefly below.

In terms of Reciprocity, EPAs seek to address the outdated trade preferences which have taken place between the EU and the ACP countries since 1975 that must be removed. Also, it addresses the steady deletion of trade barriers between the two sides. In order to be in line with the WTO’s principles of a non-discriminatory agreement, the EPAs have been negotiated with all developing countries. This has therefore terminated effectively, the ACP group as the principal trade partner of the EU. The institution of a reciprocal trade agreement brings to bare, the issue of how the EU would merge the preferential status of the ACP countries with the commitments it has with the WTO. For this dilemma, the suggested solution is an agreement which is only as mutual as required to satisfy this criteria of the WTO.  

In reality, the ACP countries can manoeuvre and be able to give a restricted protection to their most vital products. The degree to which trade must be opened under the new EPAs is still been widely contested. It remains to be seen whether the principles of the WTO regulating regional trade agreements will be revisited at the end of the Doha Around in favour of the EPA. 

Regarding the Most Favoured Nation (MFN) clause, the regional groupings recently established because of the EPAs creates the issue of how to reconcile this new agreement with the previous special treatment of the group of LDCs among the ACP countries. Out of the 79 ACP countries, 40 are classified by the UN as LDCs. The LDCs are a special group the developing countries and have always been treated uniquely.
The EPAs, therefore, provides different provisions for this group. Contrary to other ACP countries, the group of LDCs have been called upon to do away with the EPAs and continue trade relations governed by EBA regulations. This amendment of the EC’s GSP has controlled trade relations between the EU and the LDCs since its introduction in 2001 by the Council of Ministers. These two have decided to use the facility which provides duty-free entry of all exports from LDCs without any measurable limitations, excluding arms and munitions. Although this establishment enables the state of affairs of the LDCs under the new trade scheme, it has been critiqued as the initiative of the EBA does not allow LDCs to expose their markets to products originating from the EU within the context of an EPAs.\textsuperscript{32}

Another issue which has been classified as the weakness of the EBA scheme is its utilisation of the rules of origin of the GSP which involve double stage transformation for textiles and clothing. This does not conform with the rules of origin of the EPAs which allows for a single stage transformation for the exports from sectors. This has been cited as one of the main reasons Mozambique and Lesotho which are both LDCs, initialled in November 2007, the SADC EU Interim EPA, and later went ahead to sign it in July 2009. Angola which is also another LDC in the SADC-EPA formation has preferred trading under the EBA as its major exports, oil and diamonds, to the EU enjoy duty and quota free entry under the rules of origin of the EBA.\textsuperscript{33}

According to Meyn, although the EU knew exactly what it wanted, “namely comprehensive, WTO compatible trade deals with ACP regions; it did not have a clear idea of how to align these objectives with ACP realities.”\textsuperscript{34} These, she opined was due to a few pitfalls in the agreement. Meyn identified these pitfalls as follows:
a. Differing interpretations of the development component. The ACP countries wanted to tie import liberalisation commitments to development aid. This they argued that guaranteed access to long-term funds is critical to overcoming supply-side limitations and diversifying the production base. The EU on the other hand insisted that EPA negotiations and discussions on development finance were two distinct issues. In any case, group responsible for EPA negotiations argued that money had been made available under the 10th EDF to implement EPAs. ACP countries in the meantime argued that it was improper to limit guaranteed funding to 2013. This was because if the implementation process was going to extend beyond this date then the full impacts of key liberalisation and regulatory reform will only be felt after. The EU in turn indicated that multilateral and bilateral funds would be provided for the implementation of EPAs if and when needed.

b. Lack of improved market access. In addition to the earlier stated fact, the duty and quota free offer was seen to be insufficient. In spite of the fact that the EU allowed a certain percentage of ACP exports on to their markets duty free in 2006, the EU was not willing to grant full access to ACP exports unto their markets in 2008. The EU’s offer was going to restrict exports of rice and sugar for up to seven years’ period. The extent to which ACPs market access will be improved by more generous rules of origin, as stated in Article 37.9 of the Cotonou agreement, is not clear. The EU intended to propose a simple, uniform and development friendly rules of origin regime in 2005 but it failed to do so. Rather, it incorporated ‘Cotonou plus’ rules of origin in the EPAs which must be replaced by a new regime in a short period.
c. Failure to agree on ‘WTO plus’ commitments. The ACP countries’ focus was on trade liberalization and technical support with the aim of enhancing their access to higher value segments on the EU markets instead. They were also worried about binding provisions for public procurement. However, the EU insisted that necessary rules on services and trade-related issues signified the real development component of EPAs.

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\[36\]d. Applying the regional component of EPAs.

The regional EPA provides duty-free and quota-free access to the EU market for an unlimited period for all imports that are made in Ghana. In return, Ghana and other West African countries gradually liberalize 80% of their imports from the EU over 20 years. This lopsided and steady opening of the Ghanaian market to European goods takes into consideration the difference in development between Ghana and the EU and affords enough flexibility to protect sensitive sectors as well as to preserve fiscal revenues.

During the negotiating process of the EPAs, there were several issues of concern that were raised by the ACP countries. These issues caused the negotiations to come to a halt delaying the process. A research conducted by the South Centre indicates that, despite many African countries and regions advocating for lower levels of liberalisation, the EU continued to maintain that the level of trade that must be liberalised should be at least 80%. This issue put the EPAs on hold during the process of negotiation. Export taxes, the MFN clause, development cooperation are also among other issues that brought negotiations process of the EPAs to a standstill. Some of the issues that were central to the concerns of the African state were quoted by the South Centre as:
Whether the reduction of tariffs in the EPAs will destroy local industries and their productive capacities. Whether regional trade will be disrupted and undermined. If the EPA is signed with the EU, EU products could take over the regional markets. This will be another blow for African producers who rely on national markets but increasingly also on regional ones.  

In spite of all these issues, the EPAs have been renegotiated and signed but not yet ratified but some countries in West Africa such as Ghana.

In summary, this chapter has given an overview of how the relationship that exists between the EU and ACP countries started. It discussed in chronological order, how these relations have been governed by series of agreements. It progressed further to indicate how both parties involved have benefitted from this relationship.
ENDNOTES

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10 Ibid.
11 Lecomte, H., pg. 6, op.cit.
14 ec.europa.eu., op.cit.
15 Macki et al., pg. 8., op.cit.
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CHAPTER THREE

ANALYSIS OF THE PROSPECTS AND CHALLENGES OF EU-GHANA TRADE RELATIONS UNDER THE EPAs

3.0 Introduction

In the previous chapter, an overview was given of EU relations with ACP countries before the EPAs, giving way for the discussion and analysis of EU-Ghana trade relation that is discussed in this chapter. With the third objective of this research in mind, this chapter seeks to examine Ghana’s trade relations in the light of the EPAs. It does this by taking a look at the benefits and potential challenges that will accrue to Ghana unilaterally when the EPAs are signed and come into force using the IEPAs as a measure.

3.1 EU-Ghana Trade Relations before the EPAs

Ghana and Europe are bound together by common history, intertwining cultures, and joint objectives. These two sides have a stretched history of a prosperous partnership boosted by an existing framework for political dialogue. This practice was reinforced under the second revision of the Cotonou Agreements. Since the coming into force of the EU Lisbon Treaty in 2010 and the European External Action Service (EEAS) being formed, the political discourse between these two sides has been coordinated by the EU delegation on behalf of the High representative of the EEAS and comes off regularly between the EU ambassadors and the Government of Ghana.¹

Historically, Europe has been Ghana’s major trading partner. The volume of Ghana’s exports to Europe has improved progressively over the years, although the share of Ghana’s
exports has gradually declined since independence.\textsuperscript{2} This gives more insight on the relations between these two sides. This trend is also characteristic of all ACP countries, in spite of the preferential access to the EU market these ACP countries enjoy through the various accords and agreements. The preferential access to the EU market by the ACP countries is envisioned as a means for stepping up development in ACP countries, by the means of stimulating exports in the countries which are newly emerging and are aligned to the European countries. The Cotonou Agreement which was by not renewable by any means created a condition where countries administrated by the agreement would have to regress to GSP, which applied to all developing countries. The terms of GSP are, however, much less favourable than those of the Cotonou Agreement, consequently requiring the countries affected to find substitutions that matched the favourable terms of Cotonou. That aside, it was agreed upon in principle at the signing of the Cotonou Agreement that, once it expired, it could only be replaced by an accord which is WTO compatible. The ACP countries were aware that the EU would be unable to acquire additional waivers outside the Cotonou Agreement that would enable them extend the favourable terms of trade to its ex-colonies from among the group of developing countries.\textsuperscript{3} The expiration of the Cotonou Agreement was, however, bound to have different effects on ACP countries within and across regions even in Africa. Therefore, a new agreement was to replace the Cotonou Agreement and this agreement had to be compatible with the WTO rules.\textsuperscript{4} The EPAs was this agreement.

The EPAs which was originally proposed by the EU to replace the Cotonou Agreement was challenged by other non-ACP developing countries. Due to this an Interim agreement was initialled between the EU and ACP countries while the original EPAs were being negotiated. The Interim agreement was known as the Interim Economic Partnership Agreement (IEPA).
Ghana initialled the IEPA in December 2007. This agreement was to governing trade relations between the EU and Ghana. This interim agreement allowed Ghana to avoid any disruption of its exports to the EU which were to occur at the end date of the trade provisions of the Cotonou agreement (1 January 2008). As has been stated earlier, the agreement was different from the originally proposed EPAs which were being challenged by non-ACP countries. The foundation for the challenge by non-ACP countries was that, ACP countries are ex-colonies of European countries and their delineation by the EU for special treatment was built on historical ties. This was therefore not consistent with the WTO. In accordance to WTO rules, discrimination in favour of certain countries may be allowed if the measures for selecting those countries are based on economic indicators. Taking this into account, all other countries that meet the criteria should also be allowed to enjoy the benefits offered by the country providing the favour. 

Thirty-three of the countries the UN classifies as LDCs are in Africa and are also members of the ACP countries. These countries were on the EU’s EBA scheme and therefore were not bound to suffer from the unfavourable conditions of the GSP. In West Africa, 12 of the 15 countries of the regional block, the Economic Community of West African States (ECOWAS), are classified LDCs, with Cote d’Ivoire, Ghana, and Nigeria classified as non-LDC. Ghana initialled this agreement because unlike other the two non-LDCs in West African (Cote d’Ivoire and Nigeria) who were also ACP members, the expiration of the Cotonou agreement which meant reverting to the GSP which was highly unfavourable for the country. Ghana would have been left in the precarious position of being the only country in West Africa without a feasible alternative to the Cotonou Agreement.
With a growing non-traditional export sector and an economic growth strategy built on the expansion of exports, Ghana would have faced serious economic setbacks if the IEPA was not initialled. Exports from Ghana would attract tariffs consistent with the GSP without the Cotonou Agreement. Nigeria, on the other hand, whose main commodity of export is oil, was not bound to lose even if it reverted to the GSP. This is because tariffs are not charged on its main export commodity (oil). Thus, for Nigeria, reverting to GSP would have no significant impact on its overall exports to Europe. Cote d’Ivoire is also safe because it is a member of the West African Economic and Monetary Union (UEMOA). This provided a potential exit strategy if ECOWAS was not going to come through with a viable agreement. ECOWAS which was established before UEMOA has been argued as not being better organized and more advanced in terms of the depth of integration as the UEMOA. UEMOA is also officially and duly recognised by the WTO as a legitimate customs union with a common currency. It is recognised as such by the EU in the EPA negotiations. Therefore, Cote d’Ivoire, UEMOA’s biggest and most influential member could obtain derogation from the group in order to negotiate with the EU as an independent state.7

3.2 Negotiating the Economic Partnership Agreements (EPAs)

As stated in the preceding chapter, the EPAs are free trade agreement which has the vision of creating an FTA between the EU and ACP countries. It is characterized by the gradual removal of trade barriers. It does not provide unilateral benefits or special access for ACP exports on the EU market. It allows for reciprocal benefits.8 That is, the exemption of EU exports from tariffs when these exports enter the ACP markets for a period of time, which is 10 to 12 years.
As was decided at the signing of the CPA, the EU and ACP countries began negotiating the EPAs by September 2002 at the expiration of the CPA. After several months of preparation and consultations at an all-ACP level, at the end of 2003, it was agreed that, the EPAs would be negotiated at the regional level. In this regard, six EPA groups were established, namely:

a. **The Caribbean region, comprising of 15 countries of the Caribbean Forum (CARIFORUM)**

b. **The Pacific region, made up of 14 countries of the Pacific Islands Forum**

c. **The West African region, encompassing 15 countries which are all members of Economic Community of West African States (ECOWAS) countries plus Mauritania**

d. **The Central African region, comprising of 8 countries**

e. **The Southern African region (a sub-group of the Southern African Development Community – SADC), which by the time encompassed Botswana, Lesotho, Namibia, Swaziland, Mozambique, Tanzania and Angola. South Africa did not partake in the EPA negotiations in 2002 because it was covered by a bilateral free trade agreement, the Trade and Development Cooperation Agreement (TDCA). It only started participating in the negotiations in 2007, whereas it continued to trade under the TDCA. Tanzania joined the Eastern African Community EPA group in 2007 after leaving this group.**

f. **The Eastern and Southern African (ESA) region which is a sub-group of the Common Market for Eastern and Southern Africa (COMESA), had 11 countries as members but four of these countries left to join the East African Community(EAC) EPA group in 2007.**
As seen, the above were the regional groupings for the EPAs. New blocs which never existed in Africa were created causing members of old blocs to leave to become members of these new groups.

### 3.2.1 Negotiating the EPAs with West Africa

Ghana joined in the negotiations for the EPAs under the West Africa region known as the ECOWAS bloc. Taking into account the principles established for the negotiations of the new partnership agreement under Articles 35 and successive ones which can be found in the Cotonou Agreement, the West Africa region negotiated the EPAs under the structure of ECOWAS plus Mauritania. The countries that negotiated this agreement were a total of sixteen (16). Out of this number, twelve (12) of these countries are considered by the UN as LDCs while the other four is grouped under the category of developing countries. The countries considered as developing countries are Nigeria, Côte d’Ivoire, Ghana and Cape Verde. All the sixteen countries are members of the WTO but one (Liberia). Negotiations between these two sides started in October 2003 but due to a few issues that arose, it could not be concluded in December 2007 as prescribed in the Cotonou Agreement, Article 37.1. The negotiations could neither be concluded at the end of October 2009 as was agreed on by the Chief Negotiators of the two regions in June 2007.\(^{11}\)

Even though negotiations began in 2002, the initial three years of the process went by without any significant progress. The two sides involved in the negotiations could not come to an agreement on the rudimentary points of principle. This was seen in the differing interpretation of EPAs’ development component, among other things. The EPAs has been promoted by the EU on the basis of the belief that, the opportunities of regional trade integration could be fostered among the countries involved. Also, that it increased investments. The EPAs would maintain the
main objectives of the previous trade arrangements that was between these two sides under the EU-ACP group which existed previously before these divisions.\textsuperscript{12}

Negotiations of the EPAs between the two contracting sides were finally concluded in Brussels on 6th February 2014. In July 2014, the ECOWAS Heads of State endorsed the EPAs to be signed by participating countries. The regional Agreement covers goods and development cooperation. It also includes a rendezvous clause that provides for further negotiations on services and rules chapters. The signature process is currently on-going. While all EU member states have completed the ratification process, only 13 out of 16 countries of the ECOWAS have appended signature and undergoing the ratification process at national level.\textsuperscript{13} Nigeria, The Gambia and Mauritania are the three countries which have not signed the agreements under the ECOWAS bloc.

In addition to the text of the agreement, there are Protocols that bind on the implementation modalities for the EPADP. These protocols, which are intended to clarify the modalities for implementation of some critical issues, will be attached as annexes on one hand, and the unilateral or joint declarations, which the parties will be required to publish in support of the agreement on the other.\textsuperscript{14} Below are the key elements of the agreement which grants Duty-Free-Quota-Free access into EU for all imports from West Africa:

\begin{itemize}
  \item[a.] Asymmetric and gradual opening of West Africa market to EU goods. West Africa committed to liberalize 75\% of imports from the EU over a period of 20 years
  \item[b.] Free movement of goods between the Parties
  \item[c.] Sanitary and phyto-Sanitary measures aiming, among other, to promote health and safety, as well as intra-regional harmonization of measures with international standards
  \item[d.] Asymmetric Rules of Origin taking into account the different levels of development of the two Parties
\end{itemize}
e. Provision to review West Africa’s liberalisation schedule taking into account evolution of sectorial policies

f. Commitment by the EU and its member states to provide the fund for the EPADP past the expiration date of the Cotonou Agreement

g. Exemption of the regional integration autonomous funding mechanism from duties and taxes subject to tariff reduction

h. European Union Party undertakes to refrain from the use of export subsidies for agricultural products exported to West Africa

i. Establishment of joint decision making and advisory bodies to boost involvement of all stakeholders in implementation and monitoring of the EPA

j. Strengthening of administrative and customs cooperation to facilitate trade development

k. Trade defence measures with safeguards, which allow the reintroduction of duties if imports disturb or threaten to disturb economy

l. Support for agricultural policies to strengthen agricultural sectors and ensure food security

m. Deepening cooperation toward sustainable management of fishery resources; Dispute settlement provisions

n. Provisions on the duration of the Agreement, its entry into force and procedures for review

o. Rendezvous clause to continue negotiations on other trade related issues.  

3.2.2 Why Ghana signed the EPAs (Benefits Ghana stands to gain)

The justification for signing the EPAs was given in a document retrieved from the Ministry of Trade website. According to this document, Ghana stands to benefit from signing the EPAs. The following are the justifications provided by the document.

The document first asserts that, the adoption of the EPAs is vital to ensure that exports from Ghana to the EU markets were not disrupted. This is in accordance with the GSP system which allows countries that do not sign the EPAs to revert to this system. This would cause
disruptions in exports for some countries like Ghana. The document goes further to insist that, the process of regional integration in the West Africa sub-region would be undermined if Ghana failed to sign the WA - EU EPA.

In the second instance, the document opines that, Ghana has put in place measures that will accompany the EPAs. These measures will help address cross-cutting issues and the possible collapse of local industries and enterprises which may not be able to compete against the cheaper goods from the EU market. These measures are known as the National EPA response strategy. The response tactic secures improved capacity and thereby competitiveness and diversification.

In addition to the above, the document gives the opinion that, Ghana has excluded its agricultural sector from the liberalization. This is to ensure that, this sector is protected against destruction and unfair trade practices. Other products that have been deemed as sensitive and special such cement, textiles, and vehicle have also been protected under the 25% exemptions of goods from any tariff liberalization.16

Also, there is a market access offer for West Africa of 75% with a 5-year moratorium and a period of 20 years’ transition which is seen as far better than the IEPA’s (initialled by Ghana) offer of 80% with a period of 15 years’ transition. Regardless, clauses such as Rules of Origin, Most-Favoured-Nation (MFN), non-execution clause, subsidies among others found in the EPAs, favours Ghana more than what was written in the IEPA initialled by Ghana.17

The document argues further that, the trade and defence measures in Articles 20, 21 and 22 which entail Anti-dumping and Countervailing measures, Multilateral Safeguard measures and Bilateral Safeguard measures respectively, in the EPAs allows Ghana and West Africa to have adequate flexibility to impose temporary protection, while covering the adjustment costs without compromising the EPAs as a whole.

Lastly, it is an irrefutable fact that the non-traditional export sector is an evolving sector in the Ghanaian economy with boundless potential for an all-encompassing growth and
expansion. The exports from Ghana to the EU market are projected to be close to 50% of annual total exports. The expiration and non-replacement of the IEPAs initialled by Ghana by October 2014 meant that, Ghana would have to join the unwieldy GSP regime which was being applied to all developing countries regardless the size and special economic circumstances. The terms of the GSP regime are not as favourable as the Cotonou. It also has additional high tariffs to be imposed on horticultural products and processed cocoa, among others. Hence, the decision to adopt the EPAs will inevitably help to improve competitiveness of the private sector, diversification and value addition while boosting the realisation of the national export strategy.  

Aside these reasons which were given as a justification for the signing of the EPAs by Ghana, Mr. Nyame-Baafi, Director of Regional and Bilateral Trade at the Ministry of Trade and Industry, believes that the taxes and duties that would have to be paid on Ghana’s exports to the EU was scrapped following the signing of the agreement. He also asserted at the Graphic Business/Stanbic Bank Breakfast meeting held recently in Accra that, the IEPAs saved the country a total of €400 million in export taxes to the EU. Despite these justifications, critics have raised concerns about the likelihood of Ghana losing significantly once the EPAs come into force.

3.3 Potential Challenges of Ghana-EU Trade relations under the EPAs

In spite of the justifications given in the document from the Ministry of trade, concerns have been raised about the potential challenges that Ghana will encounter when the EPAs come into full force. A study conducted earlier by Mayu shows that, Ghana will not benefit meaningfully from the EPAs. It will likely not improve Ghana’s exports access to the EU market outside what the country previously enjoyed under the Cotonou agreement. It also concluded that
if the EU liberalises 100% of its market, it would be insignificant than 1% of the value of Ghana’s 2007 exports to the EU.\(^\text{20}\)

Another study conducted by the Third World Network-Africa (TWN) further argued that removing about 80% of tariffs on Ghana’s imports under the EPAs would expose Ghana’s domestic producers directly to competition with the far advanced EU firms. Agriculture produced domestically would also be immensely affected by the cheaper and often heavily subsidised agricultural produce from EU. The study also argued that eliminating 80% of tariffs on Ghana’s import under an EPAs, taking into account the contribution this sector makes to the development of the rural area, source of revenue and food security in Ghana, it would significantly pose serious challenges for the country.\(^\text{21}\)

In addition, the opponents of EPAs posit that, the probability of there being a significant loss in government revenue is rather on the high side and a plausible cut in public expenditure to areas of great importance would be also high if Ghana should liberalise about 80% of its trade with the EU under the EPAs.\(^\text{22}\) This is due to the fact that, Ghana would lose the import tariff on goods from the EU. Civil society has also raised contentions on this same issue. They go ahead to contend further that, if new binding provisions relating to investment, competition and government procurement are approved under the EPAs, it could limit Ghana’s ability to control key sectors for development reasons. They explained that, there is little evidence to back the EU’s argument that, an investment agreement would help appeal for the much needed foreign direct investment (FDI) that comes into Ghana more than what a country would otherwise receive.\(^\text{23}\)

It is also the fear of critics that, the EPAs could weaken the expansion of regional markets if the existing weaknesses coming from conflicting and overlapping regional trade programmes, are not adequately addressed before West African countries including Ghana
implement the EPAs. Civil society finds this noteworthy given that, regional trade has the potential to have such great influence on engendering progress and employment just as markets in the EU, United States of America (USA) and other countries in the Organization of Economic Cooperation and Development (OECD).  

There are substantial doubts about whether the EU’s promise of aid for trade will be evocatively carried out in the context of the EPAs, among critics. They clarify this by explaining that, no extra EPA development assistance has been provided under the EU’s main financial support system for distributing aid to ACP countries (EDF). As comprised in the EDF’s funding programme for the period 2008 to 2013, African countries were to receive no additional funds for EPAs related modification. The Third World Network-Africa also shares this view.

In an interview with Dr. Antwi-Danso, he stressed that Ghana’s benefit on signing the EPAs will be short-termed. He further goes on to point out that, when the EPAs enters into force, Ghana will initially gain tremendously on cocoa and other products for a period from the time of implementation to year 2020, thereafter Ghana will be on the negative side of trade. His assertion is corroborated by documents from the South Centre which state that, a shortlist of locally produced products is likely to be put at risk due to liberalization of imports and EU competitiveness. It indicates also that regional trade could be disrupted in the sub-region. Some sectors common to most of the sub-regions include items such as processed oil products, chemical products, intermediate and final industrial products, vehicle industry products, agricultural products.

He further emphasized that; individual countries will face the EPAs differently. This is he explained using the COMESA region as an example. He stated that, a look at the region showed that imports coming from the region will be replaced by imports originating from the EU which
will lead to reduced regional production and levels of economic activity. This is corroborated by a study conducted in the region and the SADC region by Tekere, M. and D. Ndlela.

In terms of integration promotion between Ghana and other African countries that are signatories to the EPAs, Dr. Antwi-Danso opined that it will create the condition for competition among these countries on the level of trade making integration impossible for Ghana and the other states that are parties to this agreement. The creation of new economic blocs such as the ESA which have never existed in Africa by the EU and signing of the agreement with them is an example of how disintegrating the EPAs can be. Now that each country is going to have some pluses and minuses, countries will end up competing among each other on the terms of trade making integration a difficult venture.

Also, Dr Antwi-Danso expressed that trade intensity is the pivot of integration. Integration is a trade-induced phenomenon therefore; trade relations among Ghana and its counterparts that are signatories to the EPAs and EU must be horizontal. Unfortunately, EPAs rather encourage trade in a vertical order, that is, trading directly with the EU and not among member signatory countries. This trade relation makes integration highly impossible between Ghana and its neighbours. That is, West African countries must trade among themselves in order to have the proper impact of integration. This argument is supported by documents retrieved from the Third World Network. These documents state that regional markets provide the best opportunity for Africa to diversify and develop. If African countries in EPAs have to liberalise about 80% of trade as proposed by the EU, Africa’s regional markets risk being taken over by EU products. The prospect of surging intra-African trade, diversifying and industrialising this will be significantly reduced, a consequence that will be opposed by the CPA’s principle of deepening regional integration.
Still, in terms of trade, Dr Antwi-Danso drew attention to the fact that Ghana is not industrialised enough and therefore, the country will be forced to export less and import more. And the more value is being added to products, the more Ghana stands to pay in terms of taxes. He further went on to say that speculatively, the cost-benefit analysis is such that Ghana stands to lose. Documents retrieved from the TWN confirm this assertion. TWN makes it clear that, certain officials of the EC have argued that, African countries should not fear opening up their markets to EU products because there is limited competition between EU and Africa. They also indicate that, the EU produces different products or products with a high level of sophistication. This is false as TWN illustrates that, there are many tariff lines for products from Africa where Europe also exports to. Nevertheless, for these higher value added products which are not currently made in Africa, the continent has hopes of producing these soon. Therefore, opening up of African markets to the EU is likely to prevent African countries from developing production capacity in those higher end products.

In these documents, it is discovered that with respect to the agreement, Ghana is expected to eliminate tariffs off goods imported from the EU. The elimination process is a gradual one which will not be felt initially but as time goes on, the percentage of elimination will be increased and this is likely to affect government revenue. Regional trade in Africa is, in fact, increasing at a faster pace than Africa’s trade with the EU or the US. The bigger regional market is very important for African producers, precisely in industrial products. Most industrial products made in Sub-Saharan Africa are sold in these same regions of Africa. The extensive regional market can, therefore, be the most important market for regional producers. These regional markets, in some cases, are already well developed. For instance, the pasta producers in Ghana supply to the Nigerian market. If Nigeria does not follow in Ghana’s footsteps to sign the EPA, it may be that some pasta producers in Ghana could still survive. The local production of pasta for the Ghanaian market may be lost due to the competitive nature of imports from the EU. But
these producers’ markets may still survive based on access to the regional market (Nigeria). A regional EPA however, could destroy the existing opportunities of regional trade, if it leads to a greater demand in both Nigeria and Ghana for more competitive EU pasta over the Ghanaian pasta. The loss of the regional market could, therefore, be a second blow for Ghanaian producers.

Many studies have shown that EPAs will definitely harm intra-African trade. This is as a result of it being contrary to the anticipated deepening of regional integration of the Cotonou Partnership Agreement. Using the SADC region as a yardstick, a study by Tekere and Ndlela clearly displayed that, non-EU countries currently exporting into the SADC region will lose trade to EU producers and exporters in spite of the latter not necessarily being the most efficient. The same conclusion is arrived at in the case of COMESA where it is found out that imports coming from the region will be substituted by imports coming from the EU leading to reduced regional production and levels of economic activity. This was stated earlier in an interview with Dr Antwi-Danso.

Milner et al. also arrived at the same conclusion with respect to the EAC. They state that trade diversion within the EAC would not only make integration efforts impossible but also hasten de-industrialisation. This study pointed out that that Kenya was going to lose substantial amounts of its market share in the two economies of Uganda and Tanzania.

The demand of the liberalisation of about 80% of European imports to Ghana has been argued by the EU that the 20% of the trade that is not liberalised will be enough to protect vulnerable sectors (sensitive list) and this seems to have been accepted by Ghana. However, it is doubted that, this would be adequate to protect this sensitive list. The studies conducted preliminarily on the agricultural sector have specified that about 60% of this sector alone needs
to be protected from liberalisation. Therefore, the 20% may not be appropriate for the entire domestic sector, agricultural and industrial.\textsuperscript{35}

According to the South Centre, a look at the initial list of sensitive products presented by Ghana, the very concept of products that should be on the sensitive list is severely undermined. This is the case because of the addition of a large number of goods for which the tariff is currently put at zero. From the perspectives of revenue, the reason for the inclusion of these in the sensitive list is not clear. That is to say Ghana has committed itself not to raise tariffs on the sensitive products. Thus, those products on the list for which zero is set as the tariff will not enjoy any tariff protection in the future since tariffs cannot be raised on them. In which case it is unclear what benefit these products enjoy by being placed on the sensitive list.\textsuperscript{36}

This confirms the concerns of the civil society and many trade experts that the classification and selection of the sensitive products seems to have been done in rush so that what developed as a result of this, is not well merged with the economic requirements of Ghana or its developmental policy objectives considering the composition of the products on the list. While some products on the list such as cotton, textiles and apparel are justifiable, looking at Ghana’s industrialisation policy objectives, others are not. Certain items are not exported by EU in large quantities to Ghana. Such items include, edible fruits and nuts which account for 2.5% of tariff lines on the exclusion list though in reality accounted for 0.006% of imports from the EU in 2007. Also, raw skins and hides account for 1.6% of tariff lines on the exclusion list though they account for 0.008% of imports from the EU in 2007. The intention behind this may be to protect vulnerable agricultural sectors but in actual fact, the inclusion of such products where European competition does not pose a threat to existing or potential sectors, takes space that could have been used to protect other products subject to real competition.\textsuperscript{37}
3.3.1 Ghana with or without the EPAs

In the case of Ghana unilaterally rejecting the full EPAs, the benefits have been estimated to be high. According to Dr Antwi-Danso, it will be a good measure for Ghana. To back this, a research conducted by ActionAid indicates that, local industries which produce goods that are competitive to the ones produced by the EU will be protected from collapsing. This is because, there will be no fierce competition on the local markets. Government support to expand the productive dimension of the economy using economic tools such as tariffs, subsidies, loans and procurement, will not be inhibited in any way. That aside, additional earnings will be generated by the government from tariffs for the execution of needed investments.

If Ghana under the bloc of ECOWAS should reject the EPAs, Ghana’s market share for the goods that are value added will be protected and also boosted further if the government takes care of the limitations associated with the supply side. Ghanaian companies whose sole business are exporting goods to the EU will not be forced to relocate to other ECOWAS countries because, all these countries will be at the same level with Ghana in terms of rejecting the EPAs. A chunk of Ghana’s exports, which is about 67%, to the EU will be protected from higher tariffs as Ghana will return to the standard GSP. The benefits that will accrue to Ghana’s local industries producing that compete with imported goods from the EU will be out of the danger of collapsing if the ECOWAS should go ahead and reject the EPAs. There will be no constraints on the government’s support to grow and expand the productive capacity of the country’s economy in the production of goods that are value using economic tools such as tariffs, subsidies, loans, and procurement will not be constrained in any way. Several jobs will be created through this avenue. That aside, the threat to the loss of jobs which is cannot be overlooked with the present EPAs will be a thing of the past. In place of the EPAs, it is advisable for ECOWAS to opt for the EU GSP+.
As there are benefits, so are there costs that Ghana will have to bear. Ghana’s non-traditional products of exports such as horticultural, processed cocoa and tuna and the like, will be considered as non-viable. This is due to the fact that, the tariffs on these products will be high.

This will cause a collapse of this sector of the economy and will make some people jobless which will go a long to increase the poverty rate of the country. In the instance where the ECOWAS does not reject the full EPAs will stand to lose its market share in ECOWAS to cheap products that will be imported from the EU. Firms in Ghana which solely deal in exports to the EU will be forced to relocate to other ECOWAS countries that have signed and implemented the EPAs.

Ghana can unilaterally renegotiate the terms of the full EPA. This option though being possible, is not a preferable one as historical evidence on EU-ACP trade relations have shown that large franchises are acquired when countries negotiate as a bloc instead of in isolation. With the threats from China and other emerging economies, the EU is in most need of an effective and secure access to raw materials. It intends to achieve this through the enforcement of the WTO rules. Unfortunately, Ghana cannot use this situation to its advantage if it negotiates in isolation.

Ghana as part of ECOWAS signing the full EPA, stands to benefit from an unrestricted access to EU market for goods, services and investments. Also, prices for Ghanaian consumers will be reduced as a result of the influx of cheap goods from the EU on the Ghanaian market. It is probable that Ghana will receive development aid from the EU because this option fits very well with the EU interests of securing sustained access to raw materials for its industries and expanding international markets.

On the down side, Ghana’s economy in general will revert to specialising in the production and export of raw materials to the EU at the expense of developing the productive capacity of the economy in value-added exports. With the exception of few non-traditional exports local industries
producing import-competing goods, the rest will be forced out of the domestic market due to competition from subsidised foreign products. This is likely to result in massive unemployment and roll back the gains made in poverty reduction. The generality of Ghana’s local industries will not have the productive capacity and needed competency to benefit from the increased EU market access. This will result in huge non-oil trade deficit. The government’s ability to employ the use of tariff and other deliberate inducements like subsidies, procurement to grow the productive capacity of the economy will violate of the terms of agreements of the EPAs. Hence, any effort to deliberately support the development of long term productive strategy will not be possible. Government revenues will decrease thus affecting capacity of government to fund the provision of needed infrastructure. Ghana’s share in the ECOWAS market will be completely taken up by EU imports.

The consequences of this will be that exports of products which are non-traditional from Ghana will be labelled as non-viable. This is so because these higher tariffs causing loss of jobs and increase the level of poverty in the country. Nevertheless, this is anticipated to be compensated by the creation of jobs which will result from the boom in the production of value added products for export to the ECOWAS and other markets. This notwithstanding, it is expected that the proposal by the West African Ministerial Monitoring Committee for a solidarity fund to compensate Ghana, Cote d’Ivoire and Cape Verde for losses incurred if ECOWAS reject the terms of the EPA will be given the needed attention. If Ghana as part of ECOWAS renegotiates the terms of the full EPAs, benefits and challenges for this option will be based on the form of concession achieved. The EU is in competition with other emerging economies for raw materials and commodity market. If ECOWAS works together as a bloc, it can maximise its benefits and minimise the cost from this scramble for Africa.
In summary, this chapter highlighted the process of negotiating the EPAs, the justification for signing of the EPAs by Ghana, the potential benefits and costs for Ghana with or without the EPAs. In short, this analysis brings to light that the EPAs are a wrong move for Ghana if it is not renegotiated.
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CHAPTER FOUR

SUMMARY OF FINDINGS, CONCLUSIONS AND POLICY RECOMMENDATIONS

4.1 Summary of Findings

In chapter one, the research design was outlined beginning with a history of the EU ties with ACP countries. Here, the history of the relations between Europe and ACP countries was captured. An attempt was made at discussing the trade relations between these two sides and also how relations between the two have been historically governed by a series of conventions, which granted unilateral preferences to the ACP countries on the European market. It takes into account the vulnerability of ACP countries. The theory of cooperation was used to discuss the relations that exist between the two parties. The theory showed that the relations was based on voluntary efforts by the parties involved to work in unison but not compulsion. Both sides have a relationship which they use to seek to create avenues of promoting the development of the ACP countries particularly by allowing goods from ACP countries unto their market at on a duty-free basis. Africa and Europe are both in a bid to continue this cooperative effort as the EPAs are yet to come into force in some parts of Africa.

Chapter Two goes a step further to trace the history of EU-ACP relations to the present EPAs. Official relations between the EU and ACP countries started with the Association agreement then it was succeeded by the Yaoundé I and Yaoundé II conventions of 1963 and 1969 respectively. The cooperation was opened to Commonwealth countries when the United Kingdom joined the European Community in 1973. This produced the Lomé conventions of
which the first agreement known as the Lomé I was signed in 1975 with the group which was officially now known as ACP, created in June 1975. Subsequently, Lomé II, III and IV were also signed. Concerns were raised about the future trend of trade relations between the two sides as the Lomé conventions came to an end. This was due to the fact that the EU felt the Lomé conventions did not satisfy the boosting growth of the ACP countries. This was because certain policies and structures within the ACP countries, the EU countries and the convention itself were not favourable. The agreements within this convention was based on the principle of non-reciprocity which was a preferential system basically for the ACP countries. But this was in contrary to the non-discrimination policy of the WTO which can be found in the GATT Article XXIV.

Therefore, there was the need for a new agreement. This agreement which succeeded the Lomé conventions was the Cotonou Partnership Agreement. This marked a different outlook for the relations between the two sides. One of the key objectives of the CPA was the change of trade cooperation between these two sides which involved the negotiation of co-operation. This agreement birthed the EPAs which seeks to comply with the rules of the WTO. The chapter further discusses the EPAs and the issues it seeks to address.

The chapter three of this study entails an analysis of the prospects and challenges of Ghana-EU trade relations. As shown in this chapter, there many concerns about the importance of the EPAs for Ghana and West Africa as a whole. Many critics have raised concerns about whether or not signing the EPAs will bring significant change in the trade relations of Ghana and the EU. Negotiations of the EPAs was done in regions. Ghana under the West African bloc which is represented by ECOWAS joined the negotiation process. The process was not effective
in the initial years after it was begun due to certain issues which prevented the two sides from coming to an agreement.

As captured in chapter three, an IEPA was initialled by Ghana to avert the country from reverting back to the GSP system which is not as favourable as the CPA. Later, negotiations for the original EPAs was concluded. It was signed and ratified by all EU countries while the just thirteen countries of the sixteen ECOWAS countries have signed the agreement and are yet to ratify it. The EU is of the view that liberalising trade which is one of the main conditions of the EPAs will be of immense benefits to Ghana, one of the signatories of the agreement.

Scholars, Civil society members and critics have raised several concerns taking into account the effects of the same agreement on other countries in sub-Saharan Africa. Evidence has been provided to back these concerns. Despite all this, the position of Ghana has been justified by a document retrieved from the website of the Ministry of Trade. It states that Ghana would have been doomed if it had not signed unto the EPAs. It further clarifies the issues of potential loss of income to the country. It indicates that, Ghana stands to gain when the EPAs are implemented.

An interview was conducted with Dr Antwi-Danso who clarified the implications of the EPAs on Ghana’s trade relations with its neighbours and how the EPAs will disintegrate the region. Documents from ActionAid also point out the challenges that will emerge from this agreements stating certain facts. Finally, this chapter brought to the forefront, issues that have been of great concern to members of the civil society. The chapter highlighted that, in spite of the fact that the EPAs are not too favourable in terms of Ghana’s trade relations with the EU, reverting back to the GSP system will ruin Ghana’s growing non-traditional export sector and the country’s economic growth strategy built on the expansion of exports. This chapter highlights
that, the EPAs are a wrong move for Ghana. Therefore, Ghana under the ECOWAS bloc should renegotiate the terms of the full EPAs.

4.2 Conclusions

The EPAs with ACP countries once celebrated as a new form of partnership between the EU and ACP countries have been met with disagreements since the beginning of negotiations. At the heart of the disagreement is the fear among ACP countries including Ghana that an EPA would significantly impact on socio-economic development of the ACP countries. This study has explored the implication of the EPA on Ghana’s trade relations with the EU.

It has highlighted the issues that have been of great concern to the ACP countries. It went further to discuss the potential challenges and benefits that Ghana unilaterally may bear when it implements the EPAs. It indicated that, signing of the EPAs will not inure to Ghana’s benefits but rather will bring dire consequences for the country. The EPAs may not necessarily enhance the trade relations between Ghana and the EU if certain critical requirements are not met. In spite of the fact that, the economy theory points out that trade reforms can lead to gains, more competition, lower prices and eventually higher economic growth, there are certain important factors which are lacking in Ghana to enable these potential gains from free trade.

4.3 Recommendations

The government of Ghana must renegotiate the full terms of the EPAs under the ECOWAS bloc to maximize the benefits of market access while minimizing the challenges. This will help expand inter-regional trade for the sub-region.
Also, the government must support ECOWAS to obtain utmost flexibility over ECOWAS market opening. They should also negotiate for more years for the markets to open and link the liberalisation scheme to development oriented goals. This would ensure that the EU to commits to the proposed aid for trade arrangements under the European Development Fund facility.

To sum it up, it must be ensured that, there’s enough space on the list of sensitive products to allow for the inclusion of certain valuable sensitive products. There should be a strong implement of trade policies to make local private sector competitive both in the sub-region and beyond.
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APPENDIX

UNSTRUCTURED INTERVIEW GUIDE

1. What is the difference between the EPAs and the previous trade arrangements that existed between the EU and ACP states?

2. Are there any other options available to African countries with regards to the EPAs?

3. Are the EPAs a wrong move for Ghana?

4. How beneficial are the EPAs for Ghana?

5. What are the projected challenges of the EPAs for Ghana?

6. What are the cost benefit analysis for Ghana?

7. Are the EPAs a wrong move for Ghana?

8. How will the EPAs promote integration among Ghana and her neighbours?