

**THE ECONOMIC PARTNERSHIP
AGREEMENT BETWEEN ECOWAS AND EU:
A BANE OR A CATALYST TO
DEVELOPMENT**

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DECLARATION

I hereby declare that this dissertation is the result of an original research conducted by me under the supervision of Dr. Vladimin Antwi-Danso of the Legon Centre of International Affairs and Diplomacy (LECIAD) and that no part of it has been submitted anywhere else for any other purpose.

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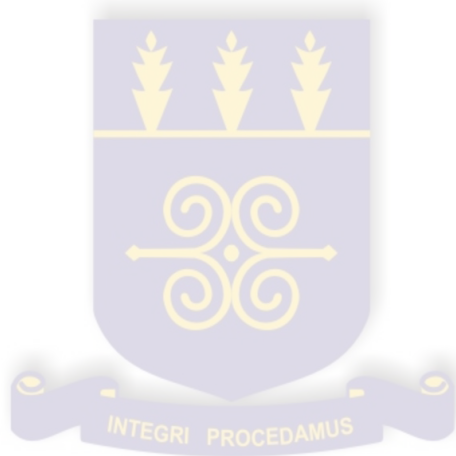


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DEDICATION

This work is dedicated to my wife Obaa Yaa, my kids Maame Akua, Nana Akosua, Afia and my mum Abena. Je vous aime.



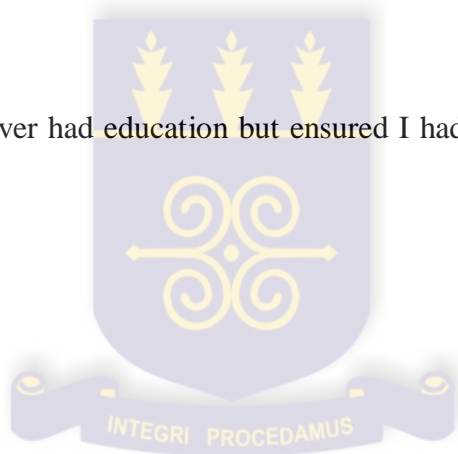
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But for the grace of the Almighty this work could not have seen the light of day. I'm therefore indebted to the most High God for seeing me through this work.

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Finally, to my mum who never had education but ensured I had one, Abena, may God bless you.



LIST OF ACRONYMS

AAS	African Associated States
ACP	African, Caribbean and Pacific (Group of Nations)
AfDB	African Development Bank
AT	Associated Territories
CSO	Civil Service Organisation
CAP	Common Agricultural Policy
CENSAD	Community of Sahel-Saharan States
CET	Customs External Tariff
CPA	Cotonou Partnership Agreement
CU	Custom Unions
DDA	Doha Development Agency
EBA	Everything But Arms
ECOWAS	Economic Community of West African States
EC	European Commission
EDF	European Development Fund
EEC	European Economic Community
EIB	European Investment Bank
EPA	Economic Partnership Agreement
EPADP	EPA Development Programme
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
GNI	Gross National Income
GSP	Generalised System of Preferences

HDI	Human Development Index
ICSTD	International Centre for Trade and Sustainable Development
IEPA	Interim Economic Partnership Agreement
IMF	International Monetary Fund
LDC	Least Developed Countries
MFN	Most Favoured Nation
MPI	Multi-dimensional Poverty Index
NGO	Non-Governmental Organisations
OCTs	Overseas Countries and Territories
ROO	Rules of Origin
ROPPA	Réseau des Organisations Paysannes et Producteurs de l'Afrique de l'Ouest
RPTF	Regional Preparatory Task Force
STABEX	Export Earning Stabilization System
SYSMIN	System for the Promotion of Mineral Production and Export
TWN	Third – World Network
UEMOA / WAEMU	West African Monetary Union
UNECA	United Nations Commission of Africa
WTO	World Trade Organisation

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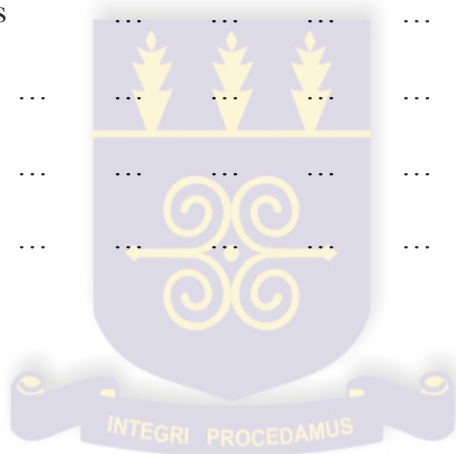
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ABSTRACT

The Economic Partnership Agreement (EPA) between the EU and the ECOWAS sub region which seeks to alter the long standing non-reciprocal arrangements that have existed between the two parties has been contentious. The necessity to change this relation has been occasioned by the inception of the World Trade Organization (WTO). As a rule-based and member driven organization, the WTO abhors discrimination. Thus member states must face identical opportunities where trade is concerned. The transition from the erstwhile non-reciprocal arrangements to a WTO-compatible arrangement has perhaps created a divisive debate among CSOs, NGO and the academia. The arguments have been shaped by the issue as to whether or not the new trading arrangements are the bane or catalyst to the ACP countries in general and West African sub region in particular. These perspectives form the basis of this study. The main argument of this study is that the West African EPAs have both potential development and challenges. The study however concludes that development potentials can only be unlocked when the economies of the ECOWAS sub regions can support liberalization. It is the conclusion of the study that given their current economic structures and supply side rigidities, the implementation of the EPAs will be a bane to their development.



CHAPTER ONE

RESEARCH DESIGN

1.1 Background to the Study

“Uncertainties complicate the scenario building process. As the future is completely unknown, everything is thinkable even though one might consider it improbable. Peter Schwartz got to the point by stating: scenarios are a tool to help us make choices today with an understanding of how they might turn out.”¹

Enhancing economic growth through trade relations is identified as an important prospect for most countries, especially the developing ones. In this regard, various trade agreements have been fostered between developed and the developing countries both in recent past and recent times as a way of enhancing economic growth between these countries.² One such important trade arrangement has been that between the European Union (EU) and a group of countries comprising those of Africa, Caribbean, and the Pacific, otherwise known as the ACP group of countries. This trade agreement which initially began after the World War II, comprised, to a larger extent, developing countries that were former colonies of most of the EU countries. This initial arrangement culminated into the signing of the Treaty of Rome in 1957 between six European countries and some colonies known as Overseas Countries and Territories (OCTS).³

However in 1963 the Yaoundé Accord was signed between predominantly Francophone African countries and the EU as a way of stimulating economic growth in ACP countries and integrating their economies with the world market.⁴ The objectives of the Yaoundé Accord was not met and as a result led to the Lomé I, II, III, and IV and Cotonou conventions. The Lomé I was concluded on February 28, 1975 based on negotiations between the EU and the ACP countries on trade and financial issues. The Lomé Conventions provided the ACP countries a

unified and a strong voice to engage in trade negotiations with the EU.⁵ Compared to the Yaoundé Accord which was based on reciprocity and a regional partnership in ensuring a smooth transition to a free trade area, the Lomé and Cotonou agreements rather focused on the gradual integration of ACP countries into the world economy with a time frame for eliminating preferential treatment.⁶

The central issue that has underpinned the need to change the long relations that have existed between the EU and the ACP countries stems from the inception of the WTO. As a rule-based and member-driven organization, the WTO abhors discrimination. Thus when it comes to trade, all members of the international trading system must face identical opportunities. Following from this the non-reciprocal treatment given to the ACP countries by the EU has become illegal in the face of the multilateral rules of the WTO. Two options were available for the EU. The first was either to extend such arrangement to all developing countries to fulfil the non-discrimination principle espoused by Article 1.1 of the GATT. The second option was to make the relationship reciprocal in fulfilment of Article XXIV of the GATT.⁷ The incessant complains from non-ACP countries about the discriminatory regime of the Lomé and Cotonou agreements⁸ has quicken the pace of the need to make the EU/ACP relations WTO-compatible.

Again, the Cotonou and the Lomé Agreements contradict the WTO principle of Most Favoured Nation (MFN). The current headache for most ACP countries including West Africa is the introduction of the Economic Partnership Agreements (EPAs) which aims at counterbalancing some of the violations and contradictions inherent in the Lomé and Cotonou Agreements, which hitherto has accorded preferential treatment for ACP countries.

According to Busse and GroBmann (2004) the current EPAs which seem more of a continuum of the Cotonou Agreement requires a setup of a Free Trade Area with the EU. This

also connotes a gradual opening up of domestic markets of ACP countries to EU products over a twelve year period.⁹ Although EPAs provide a subtle safeguard for ACP countries with regards to preferential access to EU markets, and in compliance with WTO principles, the EPA agreement is on a reciprocal basis and also requires liberalization in other areas such as investment and services.¹⁰ With this changing arrangement how will most ACP countries fare? More importantly also, is the question of the implication of this arrangement on various ACP blocs including ECOWAS and various individual countries. For most of the ACP countries the fear has rather been on the likelihood of net welfare loss as it may be unsupportive of overall development goals.¹¹

This arrangement however brought mounting pressure on Ghana and Côte d'Ivoire, thus leading to the two countries initialling an Interim Economic Partnership Agreement (IEPA). One reason for this is the differential impact of the EPA on various ACP countries. Currently eleven out of the fifteen ECOWAS countries are classified as Less Developed Countries (LDCs) and will still have full tariff-free and quota-free access to EU markets.¹² As to whether the ECOWAS countries were able to conclude their study or not, it was quite intriguing to note that the West African bloc - ECOWAS finally endorsed the EPA in July, 2014 under the tutelage of the Chairman, Mr. John Dramani Mahama.

Putting Ghana in perspective, the Action Aid, in its 2013 report indicated that there have been concerns regarding the efficacy of Ghana signing the EPA, with some arguing that the IEPA has not even been that beneficial to the country.¹³ This is because the opening up of its domestic market to EU products, which will be tax-free, will have venomous impact on most of its inchoate industries and rather frustrate her industrialization efforts. Again, the potential revenue losses due to the tariff free arrangement have also been another subject matter. Despite

this, the reverse might also have been a problem. Ghana would have lost considerably, if it had not initialled the IEPA, by virtue of its burgeoning export commodities such as cocoa and horticultural products which would have attracted tariffs in EU markets consistent with WTO arrangements. The current study therefore provides a dialectical approach in accessing ECOWAS Member States' gains and losses if they fully ratify the EPA. It, therefore, provides a holistic framework for synthesizing the impact of the EPA arrangement on economies of the sub-region's bloc

1.2 Statement of the Problem

The Economic Partnership Agreement (EPA) constitutes legally binding bilateral contracts between the EU and ACP countries.¹⁴ Implicit in this agreement is the fact that over a period of about twenty-five years, 75percent of most of these countries (ACP) would be open to European goods and services. It must be noted that the EPA, which constitutes recent trade agreement between EU and ACP countries, was also a prerequisite of the Cotonou Agreement, signed between EU and ACP countries.¹⁵ According to Ukpe (2010), this arrangement represents a move towards an EU-ACP Free Trade Area (FTA) and also an attempt to remove duties as well as other restrictive regulations that hinder trade between these two trading blocs¹⁶.

However, considerable concerns have also been raised about the perceived gains in the EPA, regarding the negative impact of the EPA on the economies of most ECOWAS countries. Whiles considerable literature exist on EPA, particularly the gains and losses for most of these countries, especially in West Africa, comprehensive assessment is needed, as a way of providing a synthesis and a guide to provide policy options for ECOWAS.

1.3 Objectives

The aim of the study is to address the question of whether the EPAs are a bane or catalyst to the economies of ECOWAS member countries in terms of development. The study therefore intends to achieve this through the following sub-objectives;

- Examine trade relations that have existed between the EU and ECOWAS between 1975 to 2000
- Examine the current EPA being entered into between EU and ECOWAS countries.
- Analyze the potential implication of EPA for ECOWAS states' economies.

1.4 Research Questions

- What are the primary objectives of the EPA to West African development?
- Are the EPAs a catalyst to the development of ECOWAS member countries' economies?
- To what extent will the EPA unlock the opportunities or otherwise of West African integrations agenda?

1.5 Scope of the Study

The study focuses on economies of the West African sub region during the running of the ECOWAS-EU EPA. The study looks at the development potentials or otherwise in the West African EPAs for the ECOWAS sub region. The study does an overview of the trade relations that have existed between the EU and ECOWAS since 1975.

1.6 The Rationale for the Study

The contribution of the current study is quite enormous. First it contributes to the ongoing debate on the possible implications of EPAs for ECOWAS States. Secondly, through an analysis of secondary sources, the study seeks to come out with a synthesized framework that addresses both sides, in terms of the potential impacts as to whether the agreement is a catalyst or a bane. Lastly, it is also expected that the study would be a point of departure for other studies, possibly micro-studies of the EPA and its impact on the ACP group of countries.

1.7 Hypothesis

The EPAs are a bane to development in the ECOWAS states' economies.

1.8 Theoretical Framework

Regime theory provides the theoretical framework for the study. By way of definition, Stephen Krasner states that regimes are:

*“A set of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations”.*¹⁷

He then explains principles as beliefs of facts, causations, and rectitude. Krasner again states that norms are standards of behaviour defined in terms of rights and obligations. Rules are specific prescriptions or proscriptions for action and thus decision-making procedures are prevailing practices for making and implementing collective choice.¹⁸ Here, regimes must be understood as something more than temporary arrangement that change with every shift in power or interests. The purpose of regimes is to facilitate arrangements. According to Brown and Kirsten (2009), not only do they imply norms and expectations that facilitate cooperation but also a form of cooperation that is more than the following of short-run self-interest.¹⁹

Whilst realism predicts that conflict is the norm in international relations, liberal theorists believe that there is cooperation despite anarchy. Often they cite cooperation in trade, human rights and collective security among other issues as the instances of cooperation and the basis of regimes.

Again, liberal interest-based approaches to regime theory state that cooperation in anarchy is possible without a hegemon because there exists a "convergence of expectations". This implies that regimes do not exist just for the sake of hegemons as a tool to dominate – as it is claimed by the realist - but for a reason which is entirely purposeful and different from super powers.

In order to buttress this, the most famous neoliberal theorist Robert Keohane argues that international regimes can increase probability of cooperation. He believes that providing information about the behaviour of others by monitoring the behaviour of members and reporting on compliance provides the platform for regimes not only to exist but to be so powerful enough to go beyond just the mere interest of dominance of super powers. To this end, there is no denying the fact that the theory clearly defines what constitutes a defection and often clearly prescribes punishments for defection.²⁰

Again, neoliberals believe that regimes reduce transaction costs through institutionalizing cooperation, which can reduce the cost of future agreements. By reducing the cost of reaching an agreement, regimes increase the likelihood of future cooperation. For example, each round of GATT resolved many procedural problems that did not have to be revisited in subsequent rounds, making cooperation easier and more likely.²¹ It is worth noting that generating the expectation of cooperation among members always happens in creating iteration and the belief that interaction will continue for the foreseeable future.

Suffice it all to say that, within the regime theory, liberals and realists disagree on two things: the nature of international cooperation and the role of international institutions. Liberals believe that international institutions, at most, bring about an environment, conducive to the convergence of state interests, which facilitates regime cooperation and at, least, facilitate cooperation that might otherwise not have been able to occur in an anarchic world. On the other hand, realists believe that regimes merely reflect the distribution of power in the international system, and that any cooperation that occurs under a regime would have occurred anyway.

In each of the arguments advanced so far, it is clear that trade relations among nations is typically based on regimes. Thus the trade relation between EU and ACP countries, and for that matter, ECOWAS is such an example. The Yaoundé Conventions between 1964 and 1974 were the first regimes established between the two parties. It was then followed by the Lomé I, II, III and IV Conventions from 1975 to 2000 with each having a five year period, except the Lomé IV which lasted for ten years.

1.9 Literature Review

In their work ‘An Impact Study of the EU-ACP Economic Partnership Agreements (EPAs) in the Six ACP Regions,’ Fontagne Mitaritonna & Laborde²² present a very detailed analysis of the trade-related aspects of EPAs negotiations using the dynamic partial equilibrium model at the HS6 level. They acknowledge three critical issues that have underlined the arguments raised especially among the ACP countries. Firstly, they observed that “ACP countries fear that giving preferential access to EU products, under a reciprocal arrangement, would put their producers in numerous sectors at risk of increased competition”²³. Secondly, they note that the ACP countries “fear that cutting tariffs for EU products would result in a sizeable

loss of tariff revenue that would hurt their public budgets”²⁴. Lastly, they claim that the timetable for the negotiations and their implementation is extremely tight given the numerous modalities still to be precisely determined.²⁵ Fontagne, Mitaritonna & Laborde assert in their study that they assessed the EPAs “through different indicators: changes in exports and imports, changes in tariff income and the countries’ current accounts”. They however, conceded that they avoided putting “emphasis on the effects on domestic production, due to the fact that information at the product level is scarce and of low quality”. Notwithstanding, they concluded that “in general there would be minor effect on the ACP domestic production due to EPAs. This result is in line with the fact that EU products are not in direct competition with ACP production”. This translates into their central hypothesis that “local or regional products are different from European products and thus less substitutable”. This conclusion is quite presumptive due to the fact that it is not based on fact which the study concedes on. The acceptance of this finding in effects presupposes that the ACP regions which the West African region remains very important in its relations with the EU cannot in the long run diversify its production and export base. Closely associated with this is the fact that nascent inefficient industries in the ACP countries especially, those in the West African sub region will be kicked out of business as a result of increased competition from the more efficient industries from the EU, a fact that the study ignores.

It is also worth pointing out that impact of the EPAs on local production is not the only effect that will be recorded as a result of the EPAs implementation. A very critical area of concern has been government revenue losses. Fontagne Mitaritonna & Laborde observe that ACP countries are forecast to lose 70% of tariff revenues on EU imports in the long run with the ECOWAS regions to be the most affected.²⁶ They argue that imports from other regions will

continue to provide tariff revenues. It is recognizable that while this assertion may be true at a cursory look, when trade diversion analysis is done, this particular assertion is shaky. This is because while goods from the ACP countries may not be in direct competition with goods from the EU as postulated by Fontagne Mitaritonna & Laborde, goods from other important ACP trading partners such USA, Japan, China, Brazil, Korea etc are highly substitutable with that of the good from the EU. This stands to reason that cheap non tax goods from the EU will replace good from these other trading partners, hence affecting the government revenues that hitherto the EPAs accrued to ACP governments. To compensate for the revenue losses to ameliorate the negative impact of liberalization, Fontagne Mitaritonna & Laborde propose a reorganization of the ACP countries fiscal base or fiscal reform policies. It is interesting to note that in the West African sub region for instance, apart from Ghana, Nigeria and Cote D'Ivoire which are developing countries, the remaining twelve (12) countries plus Mauritania are Least Developed countries (LDCs). In most of these countries' economies, economic activities are virtually absent. It is, therefore, problematic to increase taxes. This will be analyzed in the context of the ECOWAS sub region in details.

Another critical area of Fontagne Mitaritonna & Laborde's study that raises concern is the methodology used. The basic assumption of the general partial equilibrium model is that there is infinite supply capacity. It is a fact that the ACP countries have a serious supply side constraint which renders their economies non-responsive to favourable market conditions. A reality the Fontagne Mitaritonna & Laborde concedes. Proceeding from this they note that their findings and figures are to be interpreted as 'potential gains'. It is, therefore, observable that any positive benefits that will accrue to the ACP countries especially the West African countries is contingent on the ability of their economies to support the implementation of the EPAs.

Another issue that has been raised by Fontagne Mitaritonna & Laborde is the prospect the EPAs agreements have for integration within the ACP countries. While this study agrees on the fact that there exist great potentials in the EPAs for the integration of the ACP region especially the West African sub region, the timelines for the internal harmonization of procedure is limited. Considering the existing of overlapping membership of regional grouping in the ACP group, which West Africa is not exempted, this study will do a critical analysis of all the gaps identified to ascertain the true picture that will be created as the West Africa sub region implements the EPAs.

In their study on the ‘Assessing the Impact of ACP/EU Economic Partnership Agreement on West African Countries’ Busse and Großmann assessed the impact of the EPAs on trade flows and government revenue for fourteen West African countries using the partial equilibrium model. They concluded that decline in import duties due to the preferential tariff elimination might be of some cause for concern and that complementary fiscal and economic policies have to be implemented before or at the time the EPAs come into force.²⁷ They note that the West African region dependent largely on the EU for both its import and export. This means that chunk of tariff revenues come from trade with the EU. The more dependent a region is on the EU, the higher the impact in revenue losses due to liberalization of its economy. It is estimated that the West African sub region alone accounts for about 40% of the EU trade with Africa. This underscores the relevance of tariff revenue to the West African sub region which accounts for about 14.7%. Losing out on such crucial revenue source is hence critical to the survival of the ECOWAS economies. Busse and Großmann note that the EPAs with West Africa will have greater trade creation effects more than trade diversion. They argue that “Since trade creation exceeds trade diversion, it is quite possible that West African countries will benefit from

participating in an EPA” while conceding that trade creation may have some welfare gains for consumers due to access to variety and cheap imported goods, to this study it is a cause for concern for the sub region. Increased trade creation implies increased trade diversion. Put differently, import from the EU as a result of tariff dismantlement will increase and this will have two main effects for the sub region. Firstly, highly substitutable goods from other important ACP trading partners will be replaced by cheap untaxed goods from the EU. This will reduce government revenues from these other countries. This has negative implications for governmental fiscal and budgetary performance in the ECOWAS sub region. Busse and Großmann aptly put it “apart from the impact on trade flows, the tariff elimination will lead to a decline in import duties and, hence, total government revenue.”²⁸ This they note “a considerable decline might then affect the public financial positions of West African governments and their ability to provide public goods”.²⁹ It is even striking, as observed by Busse and Großmann that “consumers only stand to gain from an EPA, but for the economy as a whole, it is not clear whether the increase in consumer surplus will outweigh the tariff revenue resulting from trade liberalization”. To this study the answer to this skepticism is predictable. Increased imports will affect local production—killing local industries—which leads to an import economy or consumptive economy rather than productive economy. It is an economic axiom that import-dependent countries tend to have pervasive balance of payments problems which is not good for economic growth and development. Hence having consumer surplus cannot compensate for revenue losses. The second issue is increased competition for local industries especially countries like Ghana that import raw materials from the EU.

Again, Busse and Großmann have argued the much trumpeted consumer welfare is not automatic. They note that “the projected trade effects of EPAs will occur only if EU exporters

reduce their export prices due to the tariff elimination. However, that will not necessarily be true if the dismantling of trade barriers puts large European firms in a position to exercise market power in West African countries, either individually or collectively. If European firms leave market prices unchanged and increase their profits instead, ECOWAS countries will merely lose customs revenue and, hence, economic welfare will certainly decline”. The best option here is, therefore, for ECOWAS countries to apply MFN treatment for non-European imports. Thus ECOWAS countries must reduce tariffs on non-EU imports to foster competition. This implies further revenue losses for the sub region. It is suggestive that whichever option available to the ECOWAS sub regions has serious ramifications for fiscal and budgetary performance. This will be critically analyzed in details.

Mayur Patel³⁰ in his study ‘Economic Partnership Agreements between the EU and African Countries: Potential Development Implications for Ghana’ focuses on the development implications of the EPAs for Ghana in particular and the West African sub region as a whole. Using Ghana as a case study, he concluded that “an EPA will not meaningfully improve access to the EU market for Ghana’s exporters beyond what they already enjoy. If the EU liberalises 100 per cent of its market, this would be worth less than 1 per cent of the value of Ghana’s current exports to the EU. Even these small gains may not be realized if the EU maintains its tariffs on certain ‘sensitive products’, as it has done in previous Free Trade Agreements (FTAs) with developing countries”. He concedes that Ghana (ECOWAS) might benefit from access to cheaper (imported) goods, but this potential gain must also be seen in the context of the impact on production and Ghana’s (ECOWAS) broader long-term national development. “Eliminating tariffs will expose domestic producers to direct competition with EU firms. Many of Ghana’s producers will no longer remain profitable as their ability to compete with EU imports is highly

limited by severe supply-side constraints”. It is a recognizable fact that in order to ensure their long term development, there is the need to have adequate policy space to engender their own development at their own chosen space. The use of tariff policy to regulate development is therefore, very important. “Binding the level of tariff liberalization will significantly reduce Ghana’s (ECOWAS) ability to use tariff policy in the future as a means of encouraging production and nurturing local industries”³¹. On revenue losses, Patel notes that revenue losses will be high for the governments of the West African sub region. He asserts that if the Ghanaian (ECOWAS) governments are unable to offset these financial losses, this could lead to possible cuts in public expenditure in important areas, such as health and education.³²

Another issue that have generated controversy in the West African sub region is the issue relating to further negotiation on investment, government procurement, competition and trade facilitation (Singapore Issues). It has been argued that agreements on these issues will further increase the cost of the EPAs for the West African region. Patel for instance argues that “if new binding provisions relating to investment, competition and government procurement are adopted under an EPA, this could also risk further limiting Ghana’s ability to regulate key sectors for development reasons”³³ it is obvious that quite apart from the cost agreement on the Singapore Issues brings to the ECOWAS sub region, it will limit its ability to use domestic or sub regional policy to drive and or direct development. Patel acknowledges that EPAs have the potential to streamline existing West African regional initiatives and the credibility of regional integration. It is however, worth noting that the potential gains that the EPAs may accrue to the West African sub region are contingent on the ability to rectify the existing weakness and “overlapping regional trading agendas”³⁴.

S. K. B. Asante discusses the “cost of reciprocity”. He identifies two main negative effects that are critical to ACP countries. He observed that the EPAs will result in a significant decline in government revenues. According to him, ECOWAS countries depend so much on custom duties which average 14.7% of government revenue and 2.5% of GDP with particular with Sierra Leone and The Gambia being the most dependent on this type of revenue.³⁵ Asante intimates that considering the importance of tariff revenues to the survival of African economies, losing out on it will lead to further cuts in public expenditures most especially in the social sector. In fact he mentions that earlier research he embarked on proved that most. The second issue he identifies is the related to competition from the well-established industries in the EU. He argues, given their uncompetitive nature resulting from supply-side constraints, the ECOWAS countries may not be able stand the effects of liberalization and might lose out in the long run. The cost of restructuring the local economy to respond to the demands of the EPAs will generate huge adjustment cost for the West African sub region.

On the issue of integration, Asante acknowledges that there are potential benefits in the EPAs for African integration. He is however skeptical about the approach used in the EPAs negotiation. He argues that the situation where the EU is talking to individual sub regions within the ACP is quite problematic. This is because the EU is talking to the ACP regions, but the regions are not talking among themselves. At the disaggregated levels, however, Asante refused to acknowledge the fact that the EPAs negotiation has quicken the pace of integration with the ECOWAS sub region. It is important to point out for instance that, the EPAs negotiations has sped up the ECOWAS adoption of the Common External Tariff (CET). It is also striking that Asante fail to recognize the provision made under the European Development Fund (EDF) and

the EU's Aid for Trade (AfT) to offset the cost of adjustment, however the challenges associated with it.

Karel De Gucht³⁶, the EU Commissioner for Trade in a publication 'Commissioner De Gucht on Economic Partnership Agreements' noted that "an increasing number of ACP countries are opting for EPAs. They see these agreements as vectors of their development strategies, providing a stable and predictable framework not only to stimulate trade and investment but also to accelerate structural reform and job creation". He notes that West Africa and SADC EPA regions are the economic heavy-weights in sub-Saharan Africa. Several countries in these regions have the ambition to become emerging economies in less than a generation. The EPAs can support this vision which is in the long-term interest of all parties". It is deductive that to the EU, the EPAs hold the key to unlock the much awaited development of ACP countries in general and West Africa in particular. He contends that the EU, which is already the main trade and investment partner for the West African sub region demonstrates its "commitments to use trade agreements as an instrument for development, jobs and growth in the long run. In effects the EU believes that the EPAs will give additional boost to the already existing relations between West Africa and the EU. Notwithstanding this colourful picture painted by the EU and the proponents of the EPAs as a catalyst to West African development, this study contends that all these are potential benefits whose realization are contingent on the ability of the West African economies to support the implementation of the EPA.

1.10 Sources of Data

This work used extensively secondary sources of data. Secondary sources of data were tapped from relevant books, journal articles, research works, newspapers, seminar papers, and official publications. All data gathered were analysed using the qualitative method.

1.11 Methodology

The study was entirely based on qualitative analysis. Data was solicited by reviewing relevant articles, books and relevant publications. Content analysis of the relevant publications was done to obtain data for the study.

1.12 Arrangement of Chapters

The study constitutes four chapters. The Chapter One deals with the research design, which is made up of the background, problem statement, objectives, rationale, theoretical framework, hypothesis, literature review, sources of data and the chapter breakdown. Chapter Two throws more light on the trade relations that existed between EU and ECOWAS. Chapter Three does an analysis of the ECOWAS-EU EPA. Finally, Chapter Four focuses on the summary of findings, conclusion, and recommendations.

Endnotes

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⁴Farrell, M. (2005). A Triumph of Realism over Idealism? Cooperation Between the European Union and Africa. *European Integration*, 27 (3), 263–283.

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⁶ Busse, M. and H. Großmann (2004) ‘The Impact of ACP/EU Economic Partnership Agreements on ECOWAS Countries: An Empirical Analysis of the Trade and Budget Effects’, Hamburg Institute of International Economics (HWWA) Discussion Paper No. 294

⁷ Article XXIV provides guidelines for Free Trade Areas (FTA) and trade relations between countries which states that trade arrangements must essentially be on reciprocal basis

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⁹*Ibid.*

¹⁰McDonald . S. Lande. S. and Matanda, D. (2013). Why Economic Partnership Agreements Undermine Africa’s Regional Integration. Accessed on 5/3/2015 from <http://F:/EPA/EPA%20Article.pdf>

¹¹ActionAid, (2013). Ghana Under Interim Economic Partnership Agreement (EPA). Accessed on 5/3/2015 from http://F:/EPA/actionaid_ghana_research_-_ghana_under_interim_epa_and_implications_for_socio-economic_development.pdf

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¹³ActionAid, (2013), *op. cit.*

¹⁴McDonald . S. Lande. S. and Matanda, D., *op. cit.*

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¹⁹ Brown C., Kirsten A. (2009), *International Relations*, London: Palgrave Macmillan

²⁰Keohane, R. O. (1986). Reciprocity in international relations. *International organization*, 40(01), 1-27.

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²² Fontagné, L., Laborde, D., & Mitaritonna, C. (2008). An impact study of the EU-ACP Economic Partnership Agreements (EPAs) in the six ACP regions. Available at SSRN 1194965.

²³ *Ibid*

²⁴ *Ibid*

²⁵ *Ibid*

²⁶ *Ibid*

²⁷ Busse, M., & Großmann, H. (2004). Assessing the Impact of ACP/EU Economic Partnership Agreement on West African Countries.

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³⁰ Patel, M. (2007). Economic Partnership Agreements between the EU and African Countries: Potential Development Implications for Ghana. *Realizing Rights, the Ethical Globalization Initiatives*.

³¹ *Ibid*

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³³ *Ibid*

³⁴ *Ibid*

³⁵Asante S. K. B. (2010). Europe's Brand of a Trojan Horse? Africa & the Economic Partnership Agreements. Accra: Digibooks Ghana Ltd pp. 99-109

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CHAPTER TWO

EU - ACP TRADE RELATIONS BETWEEN 1975 AND 2000

2.0 Introduction

Trade relations between EU and ACP group of countries traces its root back in the 1950s, even before the formation of regional blocs in the ACP countries. S. K. B. Asante remarks that the relationship between EEC and the African countries “has a long history and is necessary conditioned by it – for better for worse.”¹ He stresses that EEC – Africa interactions and images cannot be separated from the historical relationship between Europe of colonial capitals and an Africa of colonial outpost². The Treaty of Rome in 1957 first established a collective European development policy, granted associated status to Overseas Collectivities and Territories (OCTs) and provided for the creation of a European Development Fund (EDF). It was intended to grant technical and financial assistance to the countries which were still under European rule at the time. More significantly, however, by means of the Treaty of Rome the six member states of the European Economic Community were expressing solidarity with the colonies and OCTs and committed themselves to contributing to their development. Recognizing the importance of the territories to their domestic economies, the European metropolitan powers - France in particular - designed colonial policies, which promoted strong political, economic and cultural ties with them. Eventually, these policies prepared the ground and thus gave birth to the Yaoundé and Lomé treaties the EC signed with the ACPs. Prior to the signing of these treaties, France one of the six brains behind the signing of the Rome Treaty, insisted on the inclusion of the colonies

and be given the status of economic associates.³ Thus, a provision under Article 131 of the treaty was made which states,

- *"The Member States hereby agree to bring into association with the Community the non-European countries and territories which have special relations with Belgium, France, Italy and the Netherlands. These countries and territories hereinafter referred to as "the countries and territories"*.
- *"The purpose of this association shall be to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole"*.
- *"In conformity with the principles stated in the Preamble to this Treaty, this association shall in the first place permit the furthering of the interests and prosperity of the inhabitants of these countries and territories in such a manner as to lead them to the economic, social and cultural development which they expect"*.⁴

With respect to its trade expansion goal, the main objective of this Treaty was to create a free trade zone between the EC and the Associated Territories (AT) by phasing out all tariffs on commodities traded among member states and between the two organisations over a 12 to 15 year period.

Having provided the historical background of the EU – ECOWAS trade relations, this chapter recounts the trade antecedents of the two parties from 1975 to 2000 which forms the basis of the EPA bringing out vividly the compositions of the Yaoundé Conventions, Lomé Conventions and the Cotonou Partnership Agreement as well as the EPA and its accompanying contending issues.

2.1 The Yaoundé Conventions

Ideally the rationale behind the formation of the Yaoundé Treaty was one of mutual benefit. From the French perspective the government was to maintain a sphere of political and economic influence in Africa. Such an objective was primarily enhanced by a weak position in a post-World War II Europe. From the former colonies' perspective, as new states, they needed to legitimize their status as sovereign states with a new form of cooperation, and thus the easiest way was a partnership, with the EC. Consequently, eighteen African Associated States (AAS), - all of which were formerly French colonies, signed the Yaoundé Convention with the EC in July 1963. This became operational on 1 June 1964. The treaty was meant to last for five years and referred to as Yaoundé I. It eventually expired on 31 May 1969, and was replaced by Yaoundé II which went into effect from 1 January 1970 to 31 January 1975.⁵

Macki M, Cheng W and Osuji L. note that “Yaoundé I was, in essence, a continuation of the Rome Treaty, whose main goals were to expand trade”.⁶ The Yaoundé I made provision for the EC to gradually eliminate their custom duties on tropical products, not covered by the Common Agricultural Policy (CAP), exported by the AAS, and to impose, for a limited period, a Common External Tariff (CET) against similar commodities imported from other developing countries (e.g. cocoa, coffee, and bananas).

The French introduced a supportive plan dubbed "Surprix". It was an export subsidy designed to maintain the prices of major export commodities of its former colonies above world market prices. It was however abolished by the EC. In the same vain, the AAS agreed to gradually eliminate tariffs on EC exports, except those generating revenue for development or industrialisation.

Yaoundé II which took place between 1970 and 1975 was in principle an extension of the previous one, except for the fact that there were some few changes that occurred. Unlike Yaoundé I, the Yaoundé II did not agree to the AAS' demand to maintain common tariffs, which protected their export from other competitors who were not part of the AAS. Considering it as discriminatory to other developing countries, Germany and the Netherlands pushed for the elimination of the CET provision. Again, the EU was the first developed bloc to agree to establish the GSP for developing countries without reciprocity. As a result of this, the EC reduced its tariffs with respect to three most important commodities: cocoa, palm, and coffee.

2.2 The Lomé Conventions

In 1973, the United Kingdom joined the EC. Thus the UK, Belgium, Dutch, and the French formed the African, Caribbean and Pacific (ACP) group under the provision of Protocol 22 of the 1972 Accession Treaty despite the differences their political, economic and cultural systems.

As a result, the ACP countries in 1975, signed the first Lomé Convention (Lomé I) with the EC. It covered the period from April 1975 to December 1980. The second Lomé Convention (Lomé II) and the third Lomé Convention (Lomé III) became operational during the periods from 1 January 1981 to 28 February 1985, and from May 1986 to December 1990, respectively. The Lomé IV started in 1990 and ended in 2000. It must be stressed here that it was around this time that ECOWAS was born specifically May 28, 1975.

The Lomé I Convention addressed many issues the Yaoundé II ignored. The Convention among other things:

- *adopted the system of non-reciprocity requested by the AAS;*
- *provided the AAS a greater access to the EC markets;*
- *redefined the rules of origin;*

- *granted a special protocol regulating sugar;*
- *provided a special treatment for beef, rum and bananas.*

Consequently, over “99.2 percent of ACP exports originating in the ACP region were allowed to enter duty-free and quota-free, the EC markets without imposing any form of system of reciprocal preferences”,⁷ save those commodities that were covered by CAP. Those were refused free access to the EC market. However, 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.

The introduction of Export Earning Stabilization system (STABEX) was specially designed to help the ACP stabilize their earnings from primary and semi-processed exports to the EC market. STABEX is a legacy of the colonial past, especially British and French colonial policies, which were essentially aimed at stabilizing commodity prices. Given the vulnerability of most ACP countries to world economic conditions and to natural disasters (drought, floods, pests, etc.), as well as their dependence on earnings generated from exports of raw agricultural commodities. The goal of STABEX was to help the ACP group of countries achieve the stability, profitability, and sustained growth of their economies. Indeed, according to Misser, STABEX was designed not to interfere with market forces nor serve as an impediment to international trade.⁸ The STABEX provision was limited to certain commodities and as result there was no motivation for other products that were not covered.

Lomé II Convention, concluded in 1980, established the System for the Promotion of Mineral Production and Export (SYSMIN), which was a system that protected ACP countries that exported mining product to the EU markets from price fluctuations. As indicated earlier, the

Lomé III Convention, which was concluded in 1985, did not come out with anything significant results until the final convention, Lomé IV which was signed in 1990. It made provisions for human rights protection, democracy, among others. Apart from being the only convention among the Lomé group of conventions to address human rights protection, rule of law, democracy, and economic diversification, it also marked the EU's conversion to supporting the Structural Adjustment process initiated by the Bretton Woods Institutions. Particular emphasis was "placed on diversification of the ACP economies, promotions of the private sector and the increasing importance of regional cooperation as a precursor to regional integration".⁹ Generally, under the four Lomé conventions the EU gave preferential access to ACP exports to their markets.

Under the Lomé Conventions, the ACP states benefited from the trade preferences granted them by the EU for about twenty-five years. The trade preferences provided access to the EU markets in terms of duty-free and quota-free access of ACP exports. Despite all these interventions, the ACP countries performed woefully poorly. The Lomé Conventions did not yield the expected result. Contrary to the expectations of the export share of the ACP countries to EU, import fell sharply from 4.6% in 1975 to 1.8% in 2000.¹⁰ The fact is, therefore, that the ACP states did not benefit much from the Lomé Conventions. According to MFN principle of the WTO, preferences granted to one country who is a member of the WTO by another country must be accorded to all WTO member countries. However in the case of the EU and ACP trade relations the EU obtained waivers from the WTO to grant preferential trade access to its market by the ACP states. In view of this, the EU did not extend its preferential treatment to all members of the WTO.

As one of the main proponents of the multilateral trading system, the EU's standpoint was it had to fully comply with the principles of the WTO, and therefore, needed new WTO-

compatible trade arrangement with the ACP countries. These were key arguments put forward by the EC to propose EPAs. The ACP, initially, took a defensive position to maintain and improve the non-reciprocal trade preferences, arguing that preferences were necessary but are insufficient condition for development. They also stressed the need for more EU support to address the supply side constraints of the ACP economies, so as to enable them to take advantage of the preferential trade regime. Assuredly as it was, the journey to the EPAs needed to be on a gradual basis since a lot of procedures were involved; hence the inception of the CPA in 2000.

2.3 The Cotonou Partnership Agreement (CPA)

As the framework for designing and implementation the EPA, the CPA committed the two parties to work together towards the achievement of the objectives of poverty eradication, sustainable development, and the gradual integration of the ACP countries into the world economy. The EU resolved to promote economic, social and cultural development of ACP countries. On a more important note, the two parties registered their readiness to revive their special relationship and to implement a comprehensive and integrated approach for a strengthened partnership, based on political dialogue, development cooperation, economic and trade relations. The fundamental principles of the CPA are based on equality of the partners and ownership of their own development strategies. Again, it ensures a partnership that is open to different kinds of actors such as the CSOs and the Private Sector (PS) into the mainstream of political, economic, and social welfare of member states. Moreover there are other pivotal roles of dialogue and the fulfillment of mutual obligation; differentiation, and regionalisation, which means that the level of each partner's development, its needs, its performance as well as its long-term development strategy were considered by the parties. Meanwhile, particular emphasis was

placed on regional integration. Special treatment was given to the Least-Developed Countries and the vulnerability of landlocked and island countries.

The Agreement also included provisions, aimed at ensuring coherence of EC policies. Under the provision, the EC was to inform the ACP states of any proposal that might affect the interest of the ACP countries with respect to the objectives of the agreement.

The CPA extended the preferential treatment offered the ACP states by the EU to export their products duty and quota free to the EU markets. The non-reciprocal trade preference granted ACP states by the EU under the CPA was expected to expire by December 31, 2007, after which the EU and the ACP trade relations would be governed by another trade regime, the EPA. The CPA was to lay the foundation for the conclusion of the EPAs between the ACP countries and the EU. As a result the two parties engaged in series of negotiations to conclude the EPA to have a reciprocal trade relations aimed at bringing development to the ACP states through poverty reduction, capacity building, strengthening regional integration and granting 100 percent free access to the EU marking while ACP countries grant the EU products 75 percent free access to their market.

2.4 EPAs' Economic Provision

The CPA as a framework for the EPA, made some economic provisions, upon which the EPA must thrive. Article 22 of the CPA makes a provision for economic growth and development for ACP states in order to achieve the objective of bringing the ACP countries into the world economy. It states categorically clear that, "Cooperation shall support ACP efforts to implement:

- *macroeconomic growth and stabilisation through disciplined fiscal and monetary policies that result in the reduction of inflation, and improve external and fiscal balances,*

by strengthening fiscal discipline, enhancing budgetary transparency and efficiency, improving the quality, the equity and composition of fiscal policy; and

- *structural policies designed to reinforce the role of the different actors, especially the private sector and improve the environment for enhanced domestic resource mobilisation and increases in business, investment and employment, as well as:*
- *liberalise trade and foreign exchange regimes and current account convertibility, having regard to the particular circumstances of each country;*
- *strengthen labour and product-market reforms;*
- *encourage financial systems reforms which help to develop viable banking and non-banking systems, capital markets and financial services, including micro finance;*
- *improve the quality of private and public services; and*
- *encourage regional cooperation and progressive integration of macroeconomic and monetary policies.¹¹*

The provision of the design of macroeconomic policies and structural adjustment programmes would reflect the socio-political background and institutional capacity of the countries concerned ensure a positive impact on poverty reduction and social services access and would be based on the following principles:

- *The ACP States shall bear primary responsibility for the analysis of the problems to be solved, the design and the implementation of the reforms;*
- *Support programmes shall be adapted to the different situation in each ACP State and be sensitive to the social conditions, culture and environment of these States;*
- *The right of the ACP States to determine the direction and the sequencing of their development strategies and priorities shall be recognised and respected;*
- *The pace of reforms shall be realistic and compatible with each ACP State's capacities and resources; and*
- *Strengthening the communication and the information of populations on economic and social reforms and policies.¹²*

Furthermore, Article 34 states that:

“Economic and trade cooperation shall aim at fostering the smooth and gradual integration of the ACP States into the world economy, with due regard for their political choices and development priorities, thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries.”¹³

Ultimately, the primary objective of economic and trade cooperation is to enable the ACP States to play a meaningful part in international trade. In this context, particular attention was given to the need for the ACP States to participate actively in multilateral trade negotiations. Given the current level of development of the ACP countries, economic and trade cooperation shall be directed at enabling the ACP States to manage the challenges of globalisation and to adapt progressively to new conditions of international trade thereby facilitating their transition to the liberalised global economy. In this context, close attention is paid to many ACP countries' vulnerability resulting from their dependency on commodities or a few key products, including value-added agro-industry products, and the risk of preference erosion.

To this end, economic and trade cooperation was aimed, through national and regional development strategies, at enhancing the production, supply, and trading capacities of the ACP countries as well as their capacity to attract investment. It was further aimed at creating a new trading dynamic between the Parties: at strengthening the ACP countries trade and investment policies, at reducing their dependency on commodities, at promoting more diversified economies and at improving the ACP countries' capacity to handle all issues related to trade.

It has to be noted that the economic and trade cooperation was to be implemented in full conformity with the provisions of the WTO, including special and differential treatment, taking into account the Parties' mutual interests and their respective levels of development. It addressed the effects of preference erosion in full conformity with multilateral commitments.

2.5 EPAs' Development Provision

Another important provision made by the CPA to ensure that the EPA achieved its goal was the development provision. Article 19 (1) of the CPA states:

“The central objective of ACP-EC cooperation is poverty reduction and ultimately its eradication; sustainable development; and progressive integration of the ACP countries into the world economy. In this context, cooperation framework and orientations shall be tailored to the individual circumstances of each ACP country, shall promote local ownership of economic and social reforms and the integration of the private sector and civil society actors into the development process”. Again, Article 19 (3) stresses that, *“Governments and non-State actors in each ACP country shall initiate consultations on country development strategies and community support thereto”*.¹⁴

To add to this, Article 20 (1) provides that, *“The objectives of ACP-EC development cooperation shall be pursued through integrated strategies that incorporate economic, social, cultural, environmental and institutional elements that must be locally owned. Cooperation shall thus provide a coherent enabling framework of support to the ACP’s own development strategies, ensuring complementarity and interaction between the various elements, in particular at, and between, the national and regional levels. In this context and within the framework of development policies and reforms pursued by the ACP States, ACP-EC cooperation strategies at national and, where appropriate, at regional levels shall aim at:*

- a. Achieving rapid and sustained job-creating economic growth, developing the private sector, increasing employment, improving access to productive economic activities and resources;*
- b. Fostering regional cooperation and integration;*
- c. Promoting human and social development helping to ensure that the fruits of growth are widely and equitably shared and promoting gender equality;*
- d. Promoting cultural values of communities and specific interactions with economic, political and social elements;*
- e. Promoting institutional reforms and development, strengthening the institutions necessary for the consolidation of democracy, good governance and for efficient and*

*competitive market economies; and building capacity for development and partnership;
and*

f. Promoting environmental sustainability, regeneration and best practices, and the preservation of natural resource base.”¹⁵

On the part of Development Finance Cooperation, adequate financial resources and appropriate technical assistance was to be provided to support and promote the efforts of the ACP countries to achieve the objective of the agreement, based on mutual interest and in a spirit of interdependence. The development finance cooperation was to be implemented in line with the development objectives, strategies, and priorities, established by the ACP countries.

2.6 EPAs’ Political Provision

The CPA mandated the parties to engage in regular political dialogue leading to commitments on both sides. The objectives of the dialogue are to exchange information, foster mutual understanding, and to facilitate the establishment of agreed priorities and shared agendas. The parties are supposed to contribute to peace and security as well as promote a stable and democratic political environment through dialogue. The political dialogue is expected to encompass cooperation strategies as well as global and sectoral policies, including environment, gender, migration, and questions related to the cultural heritage. More so, the dialogue is expected to encompass regular assessment of the developments concerning the respect for human rights, democratic principles, the rule of law and good governance.

2.7 EU - ECOWAS EPAs

EU and ECOWAS engaged in EPAs negotiation in 2003. Being mandated by the Authority of Heads of States and Government in January 2003, ECOWAS negotiated on behalf of its member states based on Decision A/DEC.11/01. ECOWAS again negotiated on behalf of Mauritania which was a former member state but later withdrew to join the Arab Maghreb Unions stated earlier, out of the 15 members of ECOWAS, 12 are considered as LDCs, while only three are considered Developing Countries - Ghana, Nigeria, and Côte d'Ivoire. The EPAs allow negotiations with only Developing Countries and thus in the case of ECOWAS only three countries could enter into trade negotiation with the EU. This is because the LDCs are covered by the "Everything But Arms" trade preference rendering them vulnerable, meaning they cannot conclude any trade negotiation. The roadmap for the ECOWAS – EU EPA was signed in Accra on August 4, 2004, and was focused on three crucial issues:

- *Deepening the integration process in West Africa;*
- *Improving competitiveness of the regional economy in terms of capacity building and upgrading;*
- *Examination of trade related issues.*

On October 5, 2007, in Abidjan, the roadmap was revised during the extraordinary meeting of the Ministerial Monitoring Committee. During the meeting the Committee realised that the target set could not be met as planned for the EPAs to be concluded by the deadline which was December 31, 2007 which indirectly means its planned implementation date could as well not be realised. Originally the set objectives for the negotiations to be concluded were:

- *A gradual creation of a free trade area in accordance with WTO rules between ECOWAS and EU during the 12 year period.*
- *The need to give priority to development and reducing poverty;*

- *Cooperation on trade related issues*
- *Deepening the integration process in West Africa;*
- *Improving competitiveness, capacity building and upgrading as well as market access for West African export.*

There was an earlier mid-term review negotiation in 2006 which was undertaken with respect to Article 37 (4) of the CPA. It makes provision for the parties to “regularly review the progress of the preparations and negotiations” and in 2006 “carry out a formal and a comprehensive review of the arrangement planned for all countries to ensure that no further time is needed for preparations and negotiations”¹⁶

In view of this, the outcome of the review recommended that the EPAs’ negotiation be postponed from the said date in order to make room for better negotiations. The parties were required to determine the EPA support programmes and their financing by the EC; draw time table for access to the markets of the parties; and finally draft the special text of the agreement. Great concerns were raised by ECOWAS about the special regional EPA fund to offset losses of customs revenues and programme to upgrade productivity sectors and support measures.

Two rounds of negotiations were held by the EC and ECOWAS technical level negotiators, which included the meetings of the Regional Preparatory Task Force (RPTF), in March and April 2007. During the meetings, the EU presented its market access offer in goods and papers on rules of origin and an Aid-for-trade. ECOWAS, on her part, continued to work on her market access offer considering the elaboration on her CET. Additionally, ECOWAS worked on the overall regional tariff liberation schedules in goods and services, sensitive products, rules of origin, fiscal impact, and safeguard measures. At the time, the EC was with the hope that presenting the ECOWAS offer in June 2007 would serve as pivot for the detail negotiation to

begin. ECOWAS presented the revised draft EPA structure which had been amended already by the EC and most of them were agreed. Another provision the text agreed on was that the text together with EPA text provided the EC would guide the work on drafting the EPA text. Terms of reference were agreed for regional studies on establishing a regional EPA fund, levelling up industries and fiscal impact. Exchange of views on programmes to level up industries focused on sectors of production and objectives of deepening analysis of the impact of an EPA on sectors of production and services with the fiscal aspect included.

The EC, in April 2007, came out with a proposal on total market access with duty and quota free for products from ECOWAS member states, excluding sugar and rice for a transitional period in order to protect the former's rice and sugar industries. But ECOWAS at the time had not finalised the work on identifying her sensitive products. ECOWAS was of the view and clearly indicated that she expects her members to be satisfied with the major concerns and interest being reflected in the agreement before committing themselves to it. Considering many factors, especially, in order to maintain their access to the EU market, Côte d'Ivoire and Ghana signed the Interim EPA on December 7, and 13, 2007 respectively.

2.8 Signing the EU – ECOWAS EPA

In February 2014, the International Centre for Trade and Sustainable Development (ICTSD) stated that “over the years the negotiations have become a source of tension between the EU and ECOWAS countries and have so far ended in a status quo”.¹⁷ In order to accelerate the negotiations, the European Commission set October 1, 2014 as a deadline for the withdrawal of a market access regulation "MAR 1528" - which currently provides Duty-Free Quota-Free (DFQF) market access to ACP countries - in an effort to entice these countries to conclude

regional EPAs, as well as to start implementing existing ones. Should the developing countries not ratify an EPA by this new deadline, they could potentially lose their free access to the EU market.

The ICTSD posited that “West Africa was facing a huge risk of having their regional integration efforts fractured so it was urgent to find a solution with all countries LDCs and non LDCs on board”.¹⁸ Indeed, the negotiations were one such as was faced with a thousand issues. As such Market access offer and the EPA Development Programme (EPADP or better known as PAPED in French) - a programme meant to address the development needs of West African countries arising from the EPAs-, notably on the question of "additionality of resources", were flagged as being of particular issue.

2.9 Market Access

The EU praised the work and cooperative efforts of ECOWAS that led to the proposal of a market access offer. The parties eventually agreed on a market access offer for the West African market with 75 percent of trade to be liberalised over a transitional period of 20 years. ECOWAS originally offered to open 70 per cent of its market over 25 years, a proposal judged insufficient by the EU, which insisted on an 80 per cent market opening within 15 years. The new level of market opening at 75 percent was backed by the decision of ECOWAS ministers to operationalize a regional Common External Tariff (CET) by January 1, 2015 (which has been satisfied). However some experts stress that the associated development of the new market access offer and the regional CET did not allow for enough perspective on how to best align the two.

2.10 Development Assistance

Upon a series of discussions on the assistance to help ECOWAS economies, both parties agreed on the most pressing needs of the EPADP which consist, in a set of accompanying measures and development assistance to build capacity, implement the EPA and support domestic reforms. It was as a result agreed an amount of 6.5 billion euros would be provided to support this effort for the period 2015-19. West Africa accepted to remove the phrase "additional resources". In return, the EU, its member states and the European Investment Bank (EIB) stated their commitment to better balance the identified needs and the financing made available. Commentators have pointed that the overall 6.5bn euros might be sufficient to cover the costs of the PAPED activities for the slated period. However, these figures remain far below the actual available funding estimated around 15bn euros. In fact, the civil society had recommended in an earlier meeting that the EU should finance EPADP through stable and predictable resources.

2.11 MFN Clause

The Most Favoured Nation clause, an EU request to enjoy future trade preferences offered by West Africa with other trading partners, has been especially contentious. West Africa reaffirmed its determination to retain the possibility of developing its cooperation with southern countries. The draft Agreement on the MFN clause currently states that West Africa shall grant to the EU any more favourable tariff treatment that is granted to a commercial partner, other than African countries and ACP states, whose share of international trade is higher than 1.5% and whose degree of industrialization, measured based on the ratio between the value added in

manufacturing and the GDP is above 10% in the year preceding the introduction of the Agreement. Such criteria could include partners such as India, China and Brazil for example.

2.12 Agricultural Subsidies

Subsidies were one of the contending issues that confronted the negotiation. In order to protect their industries each party insists on a total elimination of the subsidies especially on agriculture products. The EC does not seem to adhere to that since they heavily subsidise their agriculture sector. Thus it has long been divisive, since the EU did not wish to bring it up within the framework of the EPA. The following compromise was made along these lines: Each party will ensure the transparency of its policies and domestic support measures. To this end, the EU will regularly report to West Africa the actual measures including the legal basis, the nature of the measures and the related amounts associated with them. The agreement also provides that the EU shall refrain from using export subsidies for farm goods exported to West African markets.

2.13 Non-Execution Clause

The non-execution clause, which allows parties to take sanctions and hence suspend commitments, in the case of violations of democratic or human rights principles, came under much criticism. West Africa restated its opposition to including in the EPA a clause considered as political while the EU wanted to include the possibility of trade sanctions in the agreement. In the end, the compromise that was made excludes this clause.

2.14 Rules of Origin

The text on rules of origin was confirmed and a compromise was found after the EU accepted West Africa's request, especially for cumulating and the need for asymmetry given the obvious inequalities in levels of economic development between the EU and West Africa.

The agreement was reached at senior official level and was officially sealed, in a meeting 6-7 February in Brussels by the Chief negotiators. The agreement was eventually endorsed by ECOWAS in July 2014.

Conclusion

The trade relation between the EU and the ACP countries has been a long standing one. Agreements that have transpired between them over the years have been extensively dealt with emphasising the origin and the various conventions and agreements. It put into perspective the EU-ECOWAS EPA's context and exposed key concerns.

Thus the subsequent chapter presents EPA and its benefit to ECOWAS member countries.

Endnotes

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⁴ Article 131 of The Treaty of Rome, 1957

⁵ Macki, M. S., Osuji L. O., Cheng W. I. (1998) Impact of the Yaoundé and Lomé Conventions on EC-ACP Trade. *African Economic & Business Review* Vol. 1. No. 1.

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¹¹ Article 22 (1) of *The Cotonou Agreement* Signed in Cotonou on 23 June 2000, Revised in Luxembourg on 25 June 2005, Revised in Ouagadougou on 22 June 2010

¹² Article 22 (2) of *The Cotonou Agreement* Signed in Cotonou on 23 June 2000, Revised in Luxembourg on 25 June 2005, Revised in Ouagadougou on 22 June 2010

¹³ Article 34 (1) of *The Cotonou Agreement* Signed in Cotonou on 23 June 2000, Revised in Luxembourg on 25 June 2005, Revised in Ouagadougou on 22 June 2010

¹⁴ Article 19 (1, 2 & 3) of *The Cotonou Agreement* Signed in Cotonou on 23 June 2000, Revised in Luxembourg on 25 June 2005, Revised in Ouagadougou on 22 June 2010

¹⁵ Article 20 (1) of *The Cotonou Agreement* Signed in Cotonou on 23 June 2000, Revised in Luxembourg on 25 June 2005, Revised in Ouagadougou on 22 June 2010

¹⁶ Article 34 (4) of *The Cotonou Agreement* Signed in Cotonou on 23 June 2000, Revised in Luxembourg on 25 June 2005, Revised in Ouagadougou on 22 June 2010

¹⁷ ICTSD, (2014), Analysis and news on African trade and sustainable development, Bridges Africa

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CHAPTER THREE

EPAs: CATALYST OR BANE OF WEST AFRICAN DEVELOPMENT

3.0 Introduction

Conceivably, the overriding rationale behind the long relations that have existed between the EU and the ACP, in general, and West Africa, in particular, was to uplift these countries from the claws of poverty, deprivation and stagnation and put them on the path of sustainable development. From Part IV of the Rome Treaty of 1957 to the Yaoundé Conventions, through the Lomé arrangements to the Cotonou Partnership Agreement, the relations between the EU and the ACP countries have been renewed periodically, with each agreement promising an answer to the developmental glitch of the ACP countries. Agreement after agreement established, deepened and granted ACP countries non-reciprocal market access to the EU market. So many years on, the impacts of these non-reciprocal arrangements on the development of ACP countries and West Africa are there to be seen.

The inception of the WTO in 1994, punctuated the long non reciprocal relations between the said partners. The multilateral rules of the WTO abhor discrimination. This undergirds the need to alter the ACP-EU relations to make it compatible with the WTO. The Cotonou Partnership Agreement of 2000, therefore, marked the beginning of a new dawn for EU-ACP relations. Article 34 (4) of the CPA declares “economic and trade cooperation shall be implemented in full conformity with the provisions of the WTO...”¹ Article 36 (1) of the CPA further states “in view of the objectives and principles set out above, the Parties agree to take all the necessary measures to ensure the conclusion of new WTO-compatible Economic Partnership

Agreements, removing progressively barriers to trade between them and enhancing cooperation in all areas relevant to trade.”²

In keeping with this provision, the EU obtained a waiver from the WTO in 2000 at the Doha Round of Trade negotiation to continue granting the non-reciprocal access to the ACP countries while the negotiation for the EPAs continues. The waiver was to last up to 2007 by which time the new arrangements were supposed to have completed to take effect in January, 2008. The EPA negotiation was launched in September, 2002. The ECOWAS sub region launched its negotiation in October, 2003.

With the aim of consolidating and building on the gains of regional integration within the ACP countries, the EPAs negotiations adopted a regional approach. One of the regions in the EPAs negotiations is ECOWAS which negotiated on behalf of the West African sub regions.³ The ECOWAS EPA negotiation was formally opened in 2003. After lots of controversial sticking points, negotiations were closed on 6th February 2014. The agreement was initialled on 30th June, 2014 and ECOWAS Heads of State endorsed the EPAs for signature on 10th July, 2014.⁴

This section subjects the ECOWAS-EC EPAs to a critical analysis aimed at establishing whether the EPAs will be a catalyst or bane to the West Africa’s development.

3.1 EU-ECOWAS Trade Picture and ECOWAS Regional Realities

It is important to paint the EU ECOWAS trade picture and economic realities to appreciate the EC-ECOWAS-EPAs and its implications for West Africa development. The West African region is the EU's most important trade partner in the African, Caribbean, and Pacific region. The West African countries account for 40% of all trade between the EU and the African,

Caribbean and Pacific region. In the West African region, Cote d'Ivoire, Ghana and Nigeria alone account for 80% of the exports to the EU. EU exports to the Ivory Coast and Ghana are dominated by industrial goods, machinery, vehicles, transport equipment and chemicals. EU imports from the West African countries are dominated by a limited number of basic commodities. Nigeria is a major oil exporter, recently followed by Ghana. Ghana and Ivory Coast are the world's two largest cocoa exporters. They also export bananas, and together with Cape Verde and Senegal, processed fisheries products. Other exports from the region include a range of agricultural commodities (mango, pineapple, groundnuts, cotton etc.) and to a far lesser extent metals (copper, gold) and diamonds.⁵

Fontagne, Mitaritonna & Laborde reckon that the trade relations between the EU and ACP indicate that there is far more at stake for the ACP than for the EU in the EPAs negotiation. They note that for the EU, ACP countries represent a limited share of its trade; on the contrary, this is not the case for the ACP.⁶ The study notes that less than 2.5% of EU import comes from the ACP regions with the dynamics of the figure accounted for by the performance of the ECOWAS region which accounts for half of the total EU's total imports from ACP region.⁷ On the contrary, nearly 30% of all ACP exports go to the EU while importing almost 28% from the EU. The ECOWAS sub region alone imports up to 37% and exports 31.9% from and to the EU.⁸

The trade balance with the EU is negatively affected by very high imports in the category of industrial products, which are substantially higher than exports in the same category, for all regional groups. ECOWAS is the only group to have a positive trade balance both for primary industry and the agricultural sectors. The positive figure in the primary sector is largely due to Nigeria export (predominantly oil), while Cote d'Ivoire and Ghana are the main sources of the positive agricultural balance.⁹

The established point here is that, to the ECOWAS sub region, the EU remains a very important trade partner which cannot be lost. Continuous access to the EU market is, therefore, a very important part of the ECOWAS trade policy. Losing preferential access to the EU market will be detrimental to the long term development to West Africa. Put differently, ECOWAS is highly dependent on the EU for its imports and exports. This dependence explains why Ghana and Cote d'Ivoire in their quest not to disrupt their trade relations with the EU signed an Interim Economic Partnership Agreements (IEPAs) in 2007 and 2008 respectively.

The development impacts of the EPAs will be more revealing when analyzed against the background of West African economic structure. The West African sub region is a host to some of the poorest nations in the world. Thirty-four (34) out of the world's 49 Least Developed Countries (LDCs) are in Africa. Out of this number, twelve (12) are located in the West Africa sub region alone. Thus apart from Nigeria, Ghana and Cote d'Ivoire which are classified as developing, the others are LDCs.

ECOWAS sub region is also a host to some the world relatively poorest nations in terms of Gross National Income Per capita. It is admissible that there have been some improvements in the GNI from the 2002 levels which saw only Cape Verde with the only country in the sub region with a GNI over US\$1000. With the exception of Liberia and Niger, all the other countries have GNI per capita over US\$1000.

However, among the 15 poorest countries in the world, measured by GNI per capita, five are from the West African Region (Guinea-Bissau, Liberia, Mali, Niger and Sierra Leone".¹⁰ Also, the Human Development Index (HDI) for West Africa is also among the lowest in the world. If low life expectancy rates, high poverty and maternal rates are taken into account as well, the picture of relatively low levels of development of the region becomes even clearer.

Apart from Ghana and Cape Verde which fall under the medium HDI, all the other countries in the sub region are among the low HDI category according to the UNDP 2014 Human Development Report. Table 1 below depicts the development realities of the West African sub region.

Table 3.1: Development Indicators for the West African Sub region

Country	Maternal mortality ratio (death per100, 000 live births) 2010	GNI per Capita (2011 PPP US\$) 2013	Life expectancy at birth (years) 2013	HDI value 2013	HDI value 2012	Change in rank (2012-2013)	Population below income poverty line (%), PPP \$1.25 a day, 2002-2012
Benin	350	1,726	59.3	0.476	0.473	0	47.33
Burkina Faso	300	1,602	56.3	0.388	0.380	0	44.6
Cape Verde	79	6,365	75.1	0.636	0.635	-2	
Cote d'Ivoire	400	2,774	50.7	0.452	0.448	0	23.75
Gambia	360	1,557	58.8	0.441	0.438	0	33.63
Ghana	350	3,532	61.1	0.573	0.391	0	28.59
Guinea	610		56.1	0.392			43.34
Guinea-Bissau	790	1,011	54.3	0.396	0.396	0	48.9
Liberia	770	752	60.6	0.412	0.407	0	83.76
Mali	540	1,499	55.0	0.407	0.406	0	50.43
Mauritania	510	2,988	61.6	0.487	0.485	-2	23.43
Niger	590	873	58.4	0.337	0.335		43.62
Nigeria	630	5,353		0.504	0.500	-1	67.98
Senegal	370	2,169	63.5	0.485	0.484	-3	29.61
Sierra Leone	890	1,815	45.6	0.374	0.368	1	51.71
Togo	300	1,129	56.5	0.473	0.470	1	28.22

Source: 2014 UNDP Human Development Statistical Tables (<http://hdr.undp.org/en/data>). The data was taken from the; Human Development Index (HDI), Multi-dimensional Poverty Index (MPI) and Maternal Mortality ratio tables.

The painful reality is that, this development picture has occurred over a long period of time when the ECOWAS-EU trade relations under the various Yaoundé, Lomé and Cotonou arrangements have existed with the overarching objective of transposing the ECOWAS regions especially, from the doldrums of poverty. However, an average of 43.6% of the 242 million people in West Africa still live below the poverty line. The poverty profile is as high as 83.76%

for Liberia and about 68% for Nigeria. This makes the sub region one of the poorest in Africa. This is enough to explain why the ECOWAS-EC EPAs negotiation prolonged over a decade. To the West African negotiation team, the extent to which the EPAs will foster their long term development and place their economies on the right footing to derive the necessary benefits from the fast globalizing world was of critical importance to them. To be of benefit to the African countries especially and West Africa specifically, the “EPAs must be economically meaningful, politically sustainable and socially acceptable”.¹¹ The EPAs should therefore be development oriented.

In response, the EU has maintained that, the EPAs contain the seed of West Africa long term and long awaited quest for development. These two positions have shaped the arguments of various studies on the development impacts of the EPAs for West African countries. These perspectives shall be the basis of the analysis of the EU-ECOWAS EPAs in this chapter.

3.2 Development Potentials in the ECOWAS – EU EPAs for West African Sub Region: Catalyst to West Africa’s Development?

Karel De Gucht the European Commissioner for Trade maintains, “let us also not forget that several decades of unilateral preferences under the previous ACP-EU trade arrangements did not deliver export growth and diversification. This is one of the reasons why we decided, together with the ACP, to move to reciprocal - though asymmetric - EPAs. The underlying vision from the start has been that ACP countries possess tremendous potential to grow and take advantage of opportunities arising from a global interconnected economy”.¹² In a statement following the signing to the EPAs by the West African Heads of State, President of the European Commission Jose Manuel Barroso intimated “I am therefore more than pleased to see the Economic Partnership Agreement with West Africa now set to become a reality. This agreement,

with a strong development component at its heart, will pave the way for sustainable economic growth in West Africa, generating jobs and well-being for our citizens.”¹³

The above statements by these two important EU officials underscore the optimism of the EU in the EPAs. To them the EPAs are the long term solutions to the development problems of West Africa which could not be realized under the erstwhile arrangements. The first argument advanced by the proponents especially, the EU of EPAs unlocking the potentials for West Africa development is based on the economic logic of liberalization. Trade or economic liberalization is underpinned by the rationale that, a free market economy with unfettered flow of good between and among nations and regions inure to global welfare and raises world living standards. The EU argues that, the liberalization of trade between it and West Africa will engender the standard gains from trade. This will be demonstrated in the areas of increased access to both European markets and within the ACP regions in general and West African in particular. The EU contends that by opening its market fully to imports from the ACP (ECOWAS) countries will be better off by benefiting from increased market access for ECOWAS export and economies of large scale for ECOWAS producers.

The other development potential that the ECOWAS sub region stands to gain will be the fall out of the competitive effects resulting from liberalization. It is an economic axiom that when competition ensues, there is the high possibility of efficiency. Once the inefficient ECOWAS companies are pitched against the efficient EU companies, there will be reallocation of resources and inefficient companies will realign themselves to take advantage of the competition by specializing in their most efficient production. To the EU therefore, the much entertained apprehension of the ACP (ECOWAS) countries resulting from liberalization is rather a key development aspect of the EPAs. With access to increased and improved productive

capacity, training opportunities and knowledge transfer as promised by the EU, the ECOWAS countries can take advantage of the EPAs for their longing demands for sustainable growth and development. The least of the benefits will be access to cheaper imported inputs which will eventually lead to reduced cost of production. “This is critical for competitiveness, industrial development and better connection to global value chains”.

The benefits of the EPAs will be glaringly expressed in the welfare gains that will accrue to consumers. A liberalized EU import to ECOWAS means easy and free access to cheaply priced consumer goods. For instance in the exhaustive United Nations Commission of Africa (UNECA, 2005) study in 2005, it was concluded that EU firms are tipped to increase their exports by 20% resulting in a consumer welfare increase by US\$509 million. ECOWAS which is the most dominant EU trade partner in Africa stands to gain more in terms of consumer welfare. Increase in consumer welfare has implication for poverty alleviation and long term growth.

The ECOWAS sub region has long realized the importance of regional integration to its overall development. Established under the Lagos Treaty of May, 1975 and revised in 1993, the ECOWAS region has the overarching aim “to promote cooperation and integration, leading to the establishment of an Economic Union in West Africa in order to raise the living standards of its peoples, and to maintain and enhance economic stability, foster relations among Member States and contribute to the progress and development of the African Continent”¹⁴ Undoubtedly, there is a fine agreement, textually between the objectives set out in the CPA and the EC-ECOWAS EPAs and the ECOWAS Treaty, 1993.

While it is admissible that some progress has been made in this stead, there are still intractable and interlocking challenges impeding the progress of ECOWAS regional integration processes. Though ECOWAS has officially been declared a Free Trade Area (FTA) since

January 1, 2000, it is yet to see any meaning realizations. Tariff and non-tariff barriers continue to constrain effective trade development within the region bringing intra-regional trade to a paltry 13%. This is obviously not a good picture for the sub region's integration process.

It is therefore refreshing that the building blocks of the EPAs are regionalism and regional integration. Article 35(1) of the Cotonou Partnership Agreement states "economic and trade cooperation shall build on regional integration initiatives of ACP States". Thus special emphasis is placed on regionalism and regional integration. Article 4(1) of the EC-ECOWAS EPAs states "the Parties recognize that regional integration is an essential part of their partnership and a powerful tool for achieving the objectives of this Agreement and agree to give it their strong support" Article 4(2) further states, "for the purposes referred to in paragraph 1 of this Article, the European Union Party shall contribute, according to the provisions of Part III of this Agreement, through technical and financial assistance to the efforts of the region with regard to integration, in particular the achievement of customs union and a common market, the implementation of macro-economic and trade surveillance and the preparation of regional rules for making the business environment more attractive in the West African region". Article 32 (1) stipulates "in order to facilitate trade between them, the Parties undertake to harmonize the rules, measures and conditions relating to imports at regional level, as far as this is possible". All these provisions are in consonance with the ECOWAS aims and objectives spelt out in Article 3(2) of the 1993 Revised Treaty.

The EU has thus argued that the EPAs provide the necessary opportunity for the enhancement of the ECOWAS regional integration agenda. As noted in Article 32 above, the EPAs approach to regional integration not only advocates for establishment of FTAs between the EU and ECOWAS, but also enjoins members of same regional bloc to do away with trade

barriers and harmonize their policies for the purposes of economic exchanges. Apart from the removal of barrier within sub regional and regional bloc, the EPAs also advocates removal of barrier between regions. In the final analysis, intra-ACP trade will be enhanced. This feed into the CPA principle of encouraging South-South cooperation.

Additionally, with technical and financial support from the EU, the ECOWAS sub region will be able to embark on its long quest to harmonize its policies and remove barriers to trade, establishment of a common external tariff and adoption of a common trade policy. The EPAs, therefore, provide the opportunity for the West African countries to consolidate the gains made in its integration process and take further steps toward making regionalism a reality—locking-in effects of the EPAs. Removal of intra-regional barriers to trade means increased intra-regional trade. It is an incontrovertible fact that harmonized and well integrated sub regional and regional markets have the huge potential of attracting investments. Thus, a well-coordinated regional policy and commitment to multilateral rules creates the necessary investments climate beckoning investors to the security of their investments.

It can be concluded that, if properly managed and commitment from both the EU and ECOWAS regions are well followed through, the EPAs have the potential of unlocking West African development potentials through regionalism and regional integration.

The EU has also argued that the EPAs signal its commitments to use trade policy to foster development in ACP (ECOWAS). Unlike the EUs arrangements under the erstwhile regimes and the GSPs which are unilateral in nature, the EPAs ‘are real partnership involving institutions and continuous cooperation. Their benefits cannot be unilaterally changed or withdrawn when countries move up the development ladder. This means legal certainty and stability for business and investors’.¹⁵ Closely linked to this is the progress made in terms of good governance, respect

for human rights and political dialogue which has become an integral part of EU-ACP relations. With the assurance of available redress mechanisms for aggrieved parties and investors underpinned by a comprehensively agreed upon multilateral treaties like the EPAs, the ECOWAS sub region in particular and the ACP region as a whole could unlock their development potentials through increased investments.

One provision in the ECOWAS EPAs which this study finds relevant to the development of the West African sub-region is the provision on balance of payment. Article 89 (1) of the West African EPAs states “Where a Party is in serious balance of payments and external financial difficulties, or under threat thereof, it may take or maintain restrictive measures with regard to trade in goods and in services and with regard to payments and capital movements, including measures relating to direct investment”. It is true that most West African countries have serious BoP problems due to the nature of their economies. This provision therefore, provides an exception to the general scheme of liberalization championed by the EPAs. It is predictable that at least in the short run the West African countries cannot stand the competition from the more efficient EU companies which may worsen their trade balances. This provision therefore provides a cushion to such economies to raise protections in the form of tariff and non-tariffs to correct BoP problems—this must however be done in consonance with the Articles of Agreements of the International Monetary Fund (IMF) and with WTO rules with clear timetable for the temporary measures.

3.3 Will the EPAs be the Bane of West Africa’s Development?

The arguments that finger the EPAs as wrong development models are premised on the assertion that liberalization and Preferential Trade Agreements are only potential developments

avenues. For it to inure to the benefit of the parties involved there must be pre-existing conditions that support it. Thus the development potentials in market access can be unlocked, when the economies of the countries involved can support liberalization or when such economies are productively responsive to markets. Using this measuring rod, several studies have concluded that, the overall benefits of the EPAs, especially for West Africa will wallow behind the negative ramifications for the sub region's development. In terms of adjustment cost, revenue losses, threat to the already hiccupping West African integration process, trade diversion effects further resulting in revenues losses are more pronounced. These apprehensions will be discussed shortly.

Table 3.2: Estimated Costs of EPAs by Region (Euros)

Region	Total estimated costs	Fiscal adjustment	Upgrade of Export capacity	Production and Employment Adjustment	Skills and Productivity Enhancement
	Euros		% of Total		
West Africa	2,789,000,000	34.2%	25.5%	15.1%	25.1%
Central Africa	880,000,000	30.7%	29.2%	17.4%	22.7%

Source: South Centre, 2010

3.3.1 Adjustment cost and Government revenue and implications for West African Development

The most controversial and immediately glaring effects of the EPA for all regions are the high adjustment cost resulting mainly from loss of tariff revenues. This issue affects all regions of the ACP regions; however, the impact is not even. The extent to which the revenue loss affects a particular region depends on the importance of tariff revenue to governments in that regions and the level of dependence on the EU as a trade partner. This is a serious cause of concern for the West African sub region whose major trading partner is the European Union.

With the West Africa region contributing about 40% of all EU trade with Africa, the sub region is tipped to be highly affected.

Table 3: Tariff revenue losses and fiscal dependence (selected countries in West Africa)

Country	Share of Government income in GDP	Share of Duties in Government income (%)	Forecast decline in collected duties (%)	Values of forecast losses (€m)	Share of forecast losses in GDP (%)
Ghana	30.1	10.6	-29.7	70.4	1.0
Cote d'Ivoire	16.8	28.0	-43.9	55.3	0.4
Togo	14.2	19.2	-40.1	40.2	2.4
Burkina Faso	18.1	9.9	-41.5	16.2	0.4

Source: Fontagné, Laborde & Mitaritonna (2008).

The table above demonstrates high dependence on tariff revenue for the four selected countries. Customs duties constitute a whopping 28% of government revenues for Cote d'Ivoire and are forecasted to lose 44% of its revenues under the EPAs. Ghana and Togo with a dependence rate of 10.6% and 19.2% will lose 30% and 40% of their revenues respectively. Ghana and Cote d'Ivoire would have to go through strenuous and painful transitional period, if EPAs are ratified and implemented. This could be worse for other countries in the sub region which are not included here due to data unavailability. This leads to high adjustment cost for the sub regions as a result of the EPAs.

Table 3.4: Estimated Costs of the EPAs by Region

Region	Total estimated costs	Fiscal adjustment	Upgrade of export capacity	Production and employment adjustment	Skills and productivity enhancement
	Euros (€m)	(% of total)			
ESA	2,687	30.7%	28.8%	15.4%	25.9%
SADC	1,073	31.7%	24.3%	20.25%	23.8%
West Africa	2,789	34.2%	25.5%	15.1%	25.1%
Central Africa	880	30.7%	29.2%	17.4%	22.7%

Source: South Centre, 2010

The situation is more glaring when looked at from the estimated cost of the EPAs. In the African region of the ACP group, the West African sub region will be the most affected due to its fiscal dependence on tariff revenues and on the EU as its major trading partner. The sub region has to adjust its fiscal base or sources by 34.2% in order to offset the negative effects of the EPAs. In other words due to the sub region's high dependence on tariff revenues, losses in government revenue will be high, hence in order to compensate for these losses, ECOWAS governments would either have to cut down their expenditure by 34.2% or look for alternative sources to raise money to the tune of 34.2%. The Cost of the EPA for this region as estimated above comes to €2.8 billion. This cost according to the South Centre publication does not include the need for major infrastructure works like energy, transport etc.

This has critical implications for West African development. The 2012 ECOWAS Annual Report estimates that, apart from Cape Verde, Mali and Liberia and to some extent, Senegal and Togo, the budget deficit of ECOWAS States would be below 4% of GDP in 2013. At disaggregated level, the situation is worse for most ECOWAS countries. For instance Cape Verde (12.3%), Mali (7.8%), Togo (6.3%), Liberia (5.8%) and Guinea (52%) recorded deterioration in their deficit. Nigeria will move from a surplus 0.2% in 2011 to a deficit of 0.4%.¹⁶ In terms of inflation, almost all countries are above the ECOWAS maximum target of 5% peaking 14.7% and 13.7% in 2012 downward from 21.4% and 18.5% in 2011 for Guinea and Sierra Leone respectively. The ECOWAS is weary of some development concern in rising food prices and flooding which threaten the sub region's wellbeing.¹⁷

The above indicators do not paint a good development fortune for the sub region, especially for the social sector (health and education). The situation will be more worrying as

governments are scheduled to lose substantial amount of their revenue sources as a result of the EPAs. This will result in a cut in already lean spending on education and health.

In order to meet this financing gap created as a result of the EPAs, two main options exist for the sub region. The first option is for ECOWAS government to be able to use domestic tax policies to raise enough revenues to compensate for the losses. This option will however be very problematic. Among the fifteen (15) ECOWAS countries plus Mauritania, all but three (3) are among the world LDCs. One of the world's poorest populations is found in this region. An average 43.6% of the population lives on less than \$1.25 a day using the UNDPs Multi-dimensional Poverty Index (Table 1). It is as high as 83.76% for Liberia, 50.43% for Mali with Benin hitting 47.33%. Even Nigeria which is a non-LDC has 67.98% of its population been poor. Using tax policies to raise revenues in such countries will be very elusive. In some cases economic activities are non-existent. This option hence seems shaky and evasive.

The second option available to compensate for the adjustment cost lies with the EU. As conceived in the Cotonou Partnership Agreement, there is the need to build the demand and supply capacity of the ACP countries, while providing adequate funding to compensate for the transitional losses. It is a recognized fact that the 10th and 11th EDF did not provide additional funds in real terms. There is therefore the need to have additional funding, different and separate from the EDF system. The EU has thus proposed an aid for trade package for the ACP groups. For West Africa, it is under the caption EPA Development Programme (EPADP). The essence of such a package cannot be derogated. The poor performance of the ECOWAS sub region under previous arrangement it has benefited from, was due mainly to its inability to trade—supply side constraints. The EPADP has five (5) strategic dimensions: “Promoting diversification and growth in production capacity; Development of intra-regional trade and improved access to

internal markets; Improvement and reinforcement of regional and national infrastructures linked to trade; Carrying out essential adjustments and identifying other needs linked to trade and implementation of EPA monitoring and evaluation”.¹⁸

To this end the EU in 2014 promised an amount in €6.5billion to West African as part of its AfT agenda to be disbursed over a five (5) year period (2015-2020). The African Development Bank (AfDB) estimates, that in road upgrading alone, Africa needs about \$32billion, in order to deliver trade growth by some \$250 billion over a 15-year period.¹⁹ The railway sector may need more than double this amount. The ECOWAS sub region alone accounts for 15% of this production infrastructure linked trade constraints.

Compared to the cost of €2.8billion which the sub region will have to incur every year from EPA implementation, the promised amount will be inadequate. The most critical issue here is therefore that, the amount as promised, though, with no binding commitment must be disbursed quickly. If the said amount is not disbursement with the agility it deserves but rather delay like the EDF, the repercussions for West African development will be deeply more.

Another issue of concern which will further result in government revenue losses is trade diversion effects of the EPA. In generic terms, trade creation exceeds trade diversion in all scenarios and all West Africa countries as noted by Busse and Grobmann. They argue that in term substitutability, EU products are not in direct competition with ECOWAS countries. However, in terms of “import demand elasticities, the assumed values for the elasticity of substitution is higher, because, for instance, imports from United States and the EU are more likely to be substituted for domestically produced goods.”²⁰ Gambia for instance is estimated to have 0.9% import demand elasticity and 2.5 elasticity of substitution.

Herein lay the problem for the sub region. As the EPA causes trade creation between ECOWAS and EU, it has implications for further government revenue losses. Import duties on other important trading partners such as Japan, United States and other emerging economies like China and Brazil will further be reduced simply because their products would easily be substituted for the now cheap imports from the EU. Countries with low efficiency rate of tariff collection will suffer even more.

Table 3.5: Efficiency of Import Duty Collections, 2001

Country	Collection ratio ¹ (%)	Import-weighted tariff rate (%)	Collection efficiency ² (%)
Benin	9.7	12.6	76.5
Burkina Faso	6.8	11.0	61.3
Cape Verde	12.1	15.4	78.7
Cote d'Ivoire	7.4	10.7	68.8
Gambia	9.2	11.8	78.3
Ghana	4.7	16.2	28.1
Guinea	5.4	6.0	89.9
Guinea-Bissau	5.4	14.2	38.2
Mali	4.6	10.6	43.7
Mauritania	6.4	8.7	73.3
Niger	6.9	12.9	53.4
Nigeria	15.9	20.0	79.7
Senegal	8.5	9.4	90.0
Togo	8.4	10.9	77.0
Average	8.0	12.2	67.0

Source: Busse & Großmann (2004)

Guinea and Senegal efficiently collect up 90% to 89.9% of their statutory rate. On the contrary Ghana, Guinea-Bissau and Mali have poor collection rate averaging 45%. Compounded by tariff dismantling and trade diversion effects, these countries will have negative development when the EPA is in full gear if correctional measures are not instituted.

3.3.2 Will the EPAs quicken or rather further constrain the West African integration process?

The first issue of concern to the West Africa integration process is the time limit provided by the ECOWAS EPAs to finish its internal arrangements leading to streamlining and harmonization of its policies to put it on the right footing to enrol out the EPA implementation. The agreement provides for between 3 to 5 years for internal restructuring of the bloc. This time limit apart from being too short, contradict the principles and approach to integration espoused by the CPA. The CPA envisaged an integration scheme to be decided by the members of a particular bloc at their own pace and priorities. It is an agreed fact that the development of the West Africa sub regions lies in well integrated economies. Resource pool, expanded markets and increased trade and investments are the benefits that the sub region stands to gain. It is however, undoubted that if not properly structured internally, the EPAs will constrain rather than support the region's agenda. "ACP Ministers have repeatedly expressed concerns that an EPA might disrupt integration efforts if regional markets are opened up to the EU before they are consolidated internally"²¹ This study maintains that the time frame for internal consolidation is inadequate. What is commendable about West Africa is that all the sixteen (16) countries are negotiating as a bloc. However, two problems confront the region apart from the sheer lack of political commitment, slow pace of harmonization and lack of visible integration schemes at the national levels. The first problem is the issue of harmonization of the two integration groups in the region—the West African Monetary Union (UEMOA/WAEMU) and ECOWAS. It cannot be denied that the launched of the EPA negotiations has spurred this process following the agreement of the ECOWAS member States to adopt in 2000; that the four-scale WAEMU CET would be the basis of the ECOWAS CET²². There is still the need to speed up the harmonization of these regional integration schemes. Closely aligned to this is the existence of overlapping

membership of ECOWAS Members States belonging to both WAEMU and the Community of Sahelo-Saharan States (CENSAD).²³

The second issue is that, Mauritania which is not part of the ECOWAS group following its exit in 2001, negotiated as part of the EU-EPA negotiation. The problem here is that, if adequate time is not given for the sub regions to harmonize and correct these anomalies, before an FTA is launched, the much anticipated prospects in the EPAs enhancing regional integration will be a mirage. For instance, with Mauritania not been part of the ECOWAS group will spell difficulty in applying a CET. The application of different tariffs to goods entering each country coupled with the slow pace of adopting an ECOWAS CET will also be problematic in determining a common exclusion list.

The high number of LDCs in the sub region is a cause for concern. Even though, an agreement had been reached at the regional level, but it has to go through ratification. If an LDC decides not to ratify the agreement it will still be able to export to the EU market tariff-free quota-free. The problem here is that cheap EU goods imported into the region will automatically find it ways to non-EPA implementation LDCs, causing de-facto liberalization. To forestall this, rigid border control measure would have to be erected. This will further constrain intra-regional trade.

In summary, it must be reiterated that the EPA is not responsible for the challenges of integration facing the West African regions; however, if the regional weakness are adequately addressed before the signed EPAs are ratified and implemented, the EU-ECOWAS EPAs further risk aggravating the problem.

Conclusion

Like the EU, the ECOWAS sub region agrees that there are potential development opportunities within the EPAs. However, as discussed above, these developments opportunities can be realized if the economies of the West African sub region can absorb the adjustment cost that comes with it. It is the position of this study that, the probability of the EPA constraining West African sub region's development is higher than spurring rapid growth.

Endnotes

¹ Article 35(4) of the Cotonou Partnership Agreement of 23rd June, 2000 revised in 2005 and 2010.

² Article 35(1) of the Cotonou Partnership Agreement of 23rd June, 2000 revised in 2005 and 2010.

³The ECOWAS regional members are Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Mauritania, Nigeria, Senegal, Sierra Leone and Togo. The fortunate thing for the West Africa sub region was that all its fifteen member countries were part of the negotiation. However the decision of Cape Verde to opt out of the EPA changed the dynamics. Again Mauritania which left the region in 2002 joined the group for the purpose of the EPAs negotiation.

⁴ European Commission (2015) Overview of the Economic Partnership Agreements. Available at http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144912.pdf

⁵ This information is available at the official website of the European Commission at <http://ec.europa.eu/trade/policy/countries-and-regions/regions/west-africa/>

⁶ Fontagné, L., Laborde, D., & Mitaritonna, C. (2008). An impact study of the EU-ACP Economic Partnership Agreements (EPAs) in the six ACP regions. Available at SSRN 1194965

⁷ Ibid

⁸ Ibid

⁹ Ibid

¹⁰ Busse, M., Borrmann, A., Großmann, H., & Hamburg, J. (2004). The impact of ACP/EU Economic Partnership Agreements on ECOWAS countries: An empirical analysis of the trade and budget effects. *Institut für Wirtschaftsforschung, Hamburg*

¹¹ Asante, S.K.B (2010). *Europes's brand of a Trojan horse? Africa & the Economic Partnership Agreements*. A Publication of the Centre For Regional Integration in Africa (CRIA), GIMPA, Achimota. Digibooks Ghana Limited

¹² Commissioner De Gucht on Economic Partnership Agreements (2014) in *Economic Partnership and Beyond*. GREAT Insights, Vol.3 Issue 9

¹³ Available at : <http://newsghana.com.gh/european-union-welcomes-ecowas-decision-epa/>

¹⁴ Article 3(1) for the revised ECOWAS Treaty, 1993

¹⁵Commissioner De Gucht on Economic Partnership Agreements (2014) in *Economic Partnership and Beyond*. GREAT Insights, Vol.3 Issue 9

¹⁶ 2012 Annual Report of ECOWAS titled "Integration and Political Stability in West Africa" Abuja, December 2012. Available at http://events.ecowas.int/wp-content/uploads/2013/03/2012-Annual-report_English_VF.pdf

¹⁷ Ibid

¹⁸ The European Union supports development dimension of the future Economic Partnership Agreement with West Africa (IP/10/554 Brussels, 11 May 2010)

Available at http://europa.eu/rapid/press-release_IP-10-554_en.htm

¹⁹ Ancharaz, V., Mbekeani, K., & Brixiova, Z. (2011). Impediments to Regional Trade Integration in Africa. *Africa Economic Brief*, Vol.2 Issue 11.

²⁰ Busse, M., & Großmann, H. (2004). Assessing the Impact of ACP/EU Economic Partnership Agreement on West African Countries. HWWA Discussion Paper 294.

²¹ Patel, M. (2007). Economic Partnership Agreements between the EU and African Countries: Potential Development Implications for Ghana. *Realizing Rights, the Ethical Globalization Initiatives*

²² Ibid

²³ Members of **WAEMU** include Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. West African members of **CENSAD** include Benin, Burkina Faso, Cote d'Ivoire, Gambia, Ghana, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Sierra Leone, Senegal, and Togo.

CHAPTER FOUR

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

4.0 Introduction

The topic for this study has been analysed in the context of its hypothesis, objectives and questions. This section presents the findings and draws the conclusions reached. Appropriate recommendations are also suggested.

4.1 Summary of Findings

Firstly, it has been established in this study that the need to change the non-reciprocal relations between the EU and West Africa cannot be debated. The West African region has realized that previous agreements that have defined the relations between them and the EU have not yielded the desired output. The sub region still has one of the world's poorest populations and nations in the world—twelve (12) out of the fifteen (15) countries plus Mauritania are among the world's LDCs. Sustainable development and eradication of poverty through increased performance in world trade, which has been the founding stone of all EU-ECOWAS relations, has not been actualised. Notwithstanding, the EU still remains the most important trade partner of the West African sub region. The impact of the EPAs hence stems from the high dependence of the sub region on the EU as a trade partner.

The EPAs, as it were, has the prospects to unleash West African development opportunities. The 1993 Revised ECOWAS Treaty aims at speeding up the integration processes of the sub regions. In this regards, the sub regions drives at establishing a Customs Union (CU) with a Common External Tariffs (CET) with a common trade policy resulting in the

harmonization of national policies. This quest has been hiccupping since its conceptions; it is therefore refreshing to observe that the onset of the EPAs negotiation has spurred the integration process. The adoption of the WAEMU four-scale CET as the basis of the ECOWAS CET has given the ECOWAS at least a good starting point for the harmonization of internal policies to take off as a customs union.

Again, the largest benefits of the EPAs will be accrued to consumers. It is estimated by Fontagne, Mitaritonna & Laborde (2008) that the EU accounts for about 32% of all ECOWAS exports. On the other hand, between 37% and 40% of ECOWAS imports comes from the EU. They estimate that this figure will go up by 17% by 2022 when the EPAs are in full implementation. This has positive implications for consumer welfare - cheaply priced goods, easy access etc - will inure to the benefit of consumers. Unfettered flow of goods and services will lead to global welfare.

Competition resulting from the liberalization will lead to reallocation of resources which might lead to efficiency and economies of large scale production, taking advantage of the larger EU market to expand.

On the other hand, the study has established some serious issues of concern, which if not properly managed or dealt with before the implementation of the EPAs, may negate all the potential gains.

The first area, where the impact of the EPAs will be glaring is in government revenues. This stems from the rate of dependence of these countries in the region on import tariffs. This is particularly so due the importance of the EU as a trading partner of the sub region. From table 3 in Chapter three, some countries like Cote d'Ivoire and Burkina Faso are estimated to lose as high as 44% and 42% respectively of government revenues. The whole sub region is estimated to

incur a cost of up to 34.2% in fiscal adjustment alone. When employment, export capacity and productivity adjustment cost are added, the impact of the EPAs will be very telling on the sub region.

The EPAs also has negative implications for the sub regions integration process. It has been established that the time lines for given for the completion of the internal processes before the implementation of the EPAs is short and arbitrary. It has been established that, the EPAs are not the cause of the problems of integration in the West African integration process. Issues such as low political commitment, infrastructure challenges, weak capacities both at national and regional level to support reforms, overlapping members of integration groups continue to beset the sub region. However, the EPAs have the potential to further aggravate these challenges if these issues especially the overlapping memberships are not resolved.

The current study has thus been conducted against these backgrounds to assess the overall implications of the EPAs for the development of the West African sub region. To conclude whether the EPAs will accelerate or constrain the sub regions development as hypothesized, a critical analysis of the EU-ECOWAS EPA has been done, taking into careful consideration, the economic and development indicators of the ECOWAS countries plus Mauritania. The study confirms the hypothesis that the EPAs will be a bane of the West African sub regions. The results of the EPAs will be nothing different, if not worse than results of the erstwhile arrangements between the two partners.

4.2 Conclusions

This study has carefully analysed the critical issues in EU-ECOWAS plus Mauritania EPAs through the prism of it methodology. It can be concluded that the research questions,

objectives and hypothesis as raised have been adequately addressed. The central focus of the EPAs is market liberalization resulting from the principle of reciprocity. The implications of this for government revenue and total transitional cost to the West African economies have been discussed.

It has been realized from the analysis that, the main challenge confronting the West African country is from supply side constraints. The inability of these countries take advantage of markets to expand production makes market access opportunities irrelevant. This is seen in poorly diversified production and export base. If these fundamentals are not corrected, the EPAs will be another round of relations whose benefits will only accrue to EU producers and exporters. To mitigate these challenges and make West Africa optimize its benefit, appropriate recommendations are proffered.

4.3 Recommendations

After a careful analysis of the West African EPAs, the following recommendations are proffered.

Firstly, the proposed EU aid for trade package must be disbursed with urgency. It has been realized that productive capacities of the West African countries is the biggest challenge, constraining their ability to take advantage of market. The need to strengthen their capacity to diversify their export is, therefore, of critical importance. It has been established that the €6.5billion EPADP pledge by the EU to ECOWAS region is not enough compared to the cost. However, while recommending an increase in this amount, the most important issue is the speed with which these limited funds are disbursed. Undue delays and bureaucracies must be avoided.

Secondly, the safeguard measure provided for in the EPA text must be duly implemented. To this end, I recommend that, strong development bench marks and indicators are put in place to monitor the impact of liberalization on the economies of the West African countries. If the negative impacts outweigh the positives or the disruptions are high, brakes must be put on the rate of liberalization.

Closely related is EDF funding. I recommend that the slow pace of disbursement and stringent eligibility criteria which tend to defeat its intentions are streamlined. It is worth reiterating the adjustment cost will be huge for the West African countries to bear, there is therefore the need for constant and predictable financial flow to cushion them as they transit to the EPAs.

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