Market Access Policy Interventions for Enhancing ECOWAS-EU Agri-Trade Relations.

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ABSTRACT

Enhanced intra- and inter- regional agri-trade plays a crucial role in accelerating economic development and poverty eradication. As ECOWAS is an important trading partner for the EU, access to EU markets for agricultural commodities is of great importance to ECOWAS member states. Against this backdrop, this study will increase our understanding of the ECOWAS – EU agricultural commodity trade flow with more focus on the ongoing Economic Partnership Agreement (EPA).

There is a need to improve the agricultural competitiveness of ECOWAS LDCs in order to ensure that gains from accessing EU markets on the EPA platform are not lost. While safeguards for ECOWAS member countries might be considered in the short term, strengthening ECOWAS's long-term competitiveness within and outside the continent will require additional measures, such as more targeted and meaningful aid for trade, prioritization of infrastructure improvements and agricultural trade facilitation.

(Keywords: Economic Community of West African States, ECOWAS, European Union, EU, Economic Partnership Agreement, EPA, agricultural trade, market access, commodities)

INTRODUCTION

For over three decades, the African, Caribbean, and Pacific (ACP) member countries, including the Economic Community of West African States (ECOWAS)[1] countries, have benefitted from European preferential trading schemes. Its exports to Europe have enjoyed reduced customs duties extended to the ACP countries since 1975. First, the Lome Conventions, and later the Cotonou Agreement, have granted duty-free access to roughly 94% of the ACP tariff lines exported to the European Union (EU)[2] (Karingi, Oulmane, Sadni Jallab, Lang & Perez, 2006). In addition, some ACP member countries which are least developed countries, have been eligible for free market access to the EU since 2001 under the Everything But Arms (EBA) initiative, which provides duty- and quota-free access to all imports (except arms and ammunition) for an unlimited period. However, EBA phased out duty-free access to three sensitive products: fresh bananas (between 2002 and 2006) and sugar and rice (between 2006 and 2009) originating in

[1] The Economic Community of West African States (ECOWAS) is a regional economic community (REC) based in West Africa. It comprises 15 countries stretching from Cape Verde in the western part of the REC to Niger in the east. The treaty establishing the ECOWAS was signed in Lagos, Nigeria on 28th of May, 1975 by the Heads of States and Government of 14 West African nations, namely Benin, Burkina Faso, Cote d' Ivoire, Gambia, Ghana, Guinea, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo. Guinea Bissau acceded to the Treaty later in 1975. In 1979, Cape Verde became the 16th member state of ECOWAS (for further information, see: www.ecowas.int).

[2] The European Union (EU) is a major economic and socio-political force, with a population of nearly 500 million in 2008. Given its about 200 million more people that the US, its population density in the EU-27 in 2007 was nearly four times the US level, at 290 inhabitants per square mile compared with 80 inhabitants per square mile in the US. The EU's economy, measured by GDP in purchasing power parity (PPP), which adjusts for living standards and costs, was $14.7 trillion in 2007, compared with the US figure of $13.8 trillion. In per capita terms, US GDP was $43,444 in 2007, compared with $33,482 for the EU-27 (ERS/USDA – www.ers.usda.gov. 2008). The EU boasts of a highly dynamic agricultural policy. It has offered a considerable reduction in import duties on agricultural products and it also remains the world's largest importer of food and the biggest market for Third World foodstuffs as a result of trade and agricultural policy reforms for the past five decades. The EU accounted for about 17 per cent of the world's agricultural exports and imports in 2005. The EU-27 is one of the most important trading partners and competitors of the US in world agricultural markets. European agricultural policy has long had a major impact on world agricultural markets, and the EU is one of the key participants in WTO negotiations on agricultural trade.

50 countries designated as LDCs by the United Nations. It is relevant to note that an essential feature of these trading schemes is their non-reciprocity, which means that ACP member countries enjoy free market access to the EU without having to open their own markets to European exports in return.

However, the EU has sought to review its trading regime with the ACP countries by advocating free trade with them through the Economic Partnership Agreements (EPAs). As a result, in 2000 the EU and ACP countries signed the Cotonou Partnership Agreement (CPA), which served two key functions: (i) it extended the preferential market access under the Lome Convention until the end of 2007, and (ii) it outlined the path toward a new trading regime from 2008, shifting the EU-ACP trade from preferential to reciprocal free trade (Berisha-Kransniqi, Bouet & Mevel, 2008).

One of the justifications for the shift in the trade policy is that trade preferences under the CPA are incompatible with the rules of the World Trade Organization (WTO). In other words, the preferential scheme was implemented based on a WTO waiver that expired in December 2007. Thus, the EPA talks were launched in 2002 between European Union and ACP countries, including ECOWAS as a regional economic community (REC), with the aim of concluding them by December 2007.

The first phase of negotiations was conducted at the all-ACP-EU level, followed by a second round of talks in 2004 between the EU and the six regional ACP groups – Southern Africa [on the platform of the Southern African Development Community (SADC)], Eastern and Southern Africa [on the platform of the Common Market of Eastern and Southern Africa (COMESA)], Western Africa [on the platform of ECOWAS], Central Africa [on the platform of the Economic and Monetary Community of Central Africa (CEMAC)], the Caribbean [on the platform of the Caribbean Forum (CARIFORUM);], and the Pacific group, - which was based on the existing regional integration initiatives. It is crucial to note that since the beginning of the negotiations, the focus has been on setting the general objectives and principles of the agreements without focusing on specific market access measures. Consequently, these negotiations with the regional groups have faced difficulties due to the heterogeneous nature of countries belonging to the same negotiating bloc.

In order to move forward, the ECOWAS countries drafted a joint road map with the European Community for the EPA in 2004. The road map envisages 'progressive establishment, in accordance with the WTO rules, of a free trade zone between ECOWAS and the European Community for a period of twelve years, starting 1st of January, 2008' (ECOWAS and European Commission, 2004). In addition, the road map also stresses the implementation of a free trade area within ECOWAS and creation of a customs union by January 2008. At the December 2007 deadline for the completion of the EPA negotiations, there was no conclusion on these agreements. Concerned with the potential negative impact of EPAs on ACP economies, many RECs in Africa refused to sign the agreements, maintaining that they do not represent the interests of developing countries. Therefore, in early 2008, the EU initiated a 'two-step' EPA process to enable ACP countries to carry on the negotiations while continuing to receive the same preferential treatment, under the expectations that the EPAs will be concluded in the early part of 2008.

The objective of this study is to assess the agricultural commodity trade between ECOWAS and the EU. The objectives of this study include:

1. To discuss the pertinent issues on ECOWAS and EU agri-trade relations; and

2. To recommend policy options towards fostering innovative market access for agricultural commodities between ECOWAS and the EU.

STUDY BACKGROUND: REGIONAL INTEGRATION AND AGRICULTURAL TRADE IN WEST AFRICA

Agriculture is a very crucial sector in West Africa in the sense that its exports to its main trading partners, including EU, are predominantly food products: crops, plant fibers, oil and gas, wood, mineral and metal products and transport equipments. In terms of imports from the EU and the rest of the world, some of the most important for ECOWAS include paper, mineral products, beverages and tobacco, sugar, and dairy products. Finally, it is important to note that ECOWAS exports to the EU consists mainly of products that face low tariff barriers at the latter's market, while ECOWAS imposes high tariff barriers on imports from the EU.

Since the overall performance of regional agricultural productivity in West Africa has significant implications for production, consumptions and trade patterns, majority of the countries are net food importers of most agricultural products; and percentage of agricultural exports of total exports is low (Table 1).

The World Development Report (WDR) 2008 reveals that West African countries recorded considerable net cereal imports for the period 2003 – 2005, with Nigeria having the highest figure of US$ 594 million (Table 1). It further shows that trade imbalance values for majority of the countries in the region. Though two traditional export crops – cotton and cocoa, dominate the region's agricultural exports, non-traditional exports such as fruits and vegetables are rapidly rising over the years, and the potential for regional trade exists for livestock, pulses, oilseeds and maize. Although the volumes of the latter are relatively smaller when compared to the former, their numbers have been increasingly rapid over the years.

Table 1: Agricultural Trade in West Africa.

Country	Net cereal imports $ millions, 2003 – 2005	Agricultural imports $ millions, 2003 – 05	Agricultural exports $ millions, 2003 – 05	Agricultural exports % total exports, 2003 - 05
Benin	75	217	220	82.5
Burkina Faso	52	114	245	83.1
Cameroon	216	432	604	25.2
Central African Rep.	9	24	1	1.6
Chad	-	-	-	-
Congo Rep.	-	-	-	-
Cote d'Ivoire	283	781	3241	50.3
Ghana	162	820	1818	56.4
Guinea	57	124	13	2.4
Mali	50	175	340	35.9
Mauritania	41	112	84	25.6
Niger	92	195	75	26.2
Nigeria	594	1925	61	0.3
Senegal	345	818	448	34.1
Sierra Leone	34	71	38	91.4
Togo	22	75	122	31.0

Source: World Bank WDR, 2008

EPA[3] between EU and ECOWAS

Historically, under the Lome Convention, dating back to 1975, the EU granted non-reciprocal trade preferences to the then 46 ACP countries.[4] Important points to note are that amongst them are 66 former colonies of the EC countries, and 48 African ACP countries account for the bulk for ACP member countries.

The Lome Convention aimed at developing the ACP trade by providing them with duty-free access to the EU for all industrial goods and a wide range of agricultural products, excluding particularly those with a EU market order. Additionally, four protocols offered special market access terms for sugar, bananas, beef and veal, as well as rum, while some agricultural products received quota-restricted tariff preferences.

The Least Developed Countries (LDCs)[5] among the ACP region benefit from the 'Everything but Arms' (EBA) initiative adopted in 2001. This agreement overcomes the EU's regional focus on the ACP countries dominating its preferential trade policy by extending non-reciprocity to non-ACP LDCs. All LDCs received immediate duty and quota free access to the EU for all products originating in LDCs except for arms and ammunition, and except for the sensitive products sugar, bananas and rice for which longer transitional periods were set.

The non-LDC developing countries outside the ACP region profit from a non-reciprocal, preferential tariff treatment on exports of their goods to the EU. This Generalized System of Preferences (GSP) was initiated in 1968 and enlarged exemptions from MFN obligations to developing countries other than ex-colonies. With the introduction of the Enabling Clause in 1979, developed countries can offer different treatment to developing countries in spite of the MFN obligation. But differential and more favorable treatment can only be accorded to developing countries, if identical treatment is offered to similarly situated GSP-beneficiaries.[6] This GSP is less substantial and contains more exemptions than the Lome Convention. Therefore, non-LDC ACP countries were privileged in comparison to other non-LDC developing countries that are excluded from the Lome Convention. This discrimination between countries was in contrast to WTO rules established in 1995.

It is pertinent to note that while the GSP system is consistent with these conditions set under the WTO law, Lome preferences were criticized for its violation of the GATT rules. In addition, its effectiveness was doubtful in the sense that in the 25 years of Lome, the share of ACP exports in European markets has fallen by half, from nearly 8 per cent to about 3 per cent, making non-reciprocal trade preferences to be insufficient in transforming the ACP economies.

[3] Economic Partnership Agreements (EPAs) result from the Cotonou Agreement, which provides a framework for the EPA negotiations. The Cotonou Agreement itself reflects a policy shift in the EU development policy from preferential market access to mutual free trade between the EU and the ACP regions, in which regional development remains the overriding goal. EPAs are a non-reciprocal economic relation that is currently being negotiated between the European Union (EU) and all six regional groupings of the ACP states. They are enshrined in the Cotonou Partnership Agreement, signed in 2000 between the EU and the ACP states in response to the arguably non-beneficial non-reciprocal trade preferences that the EU granted to the ACP over the past three decades, and the pressure to make the trade relations complaint with the World Trade Organisation (WTO) rules. In addition, the EU believes that the integration of the ACP states into the multilateral trading system (MTS) can be best achieved and strengthened via regional integration. It is a joint response to the challenges of globalization and development. It is designed to create a new trade regime which will be compatible with the requirements of Article XXIV of the General Agreement on Tariffs and Trade (GATT) and Article V of the General Agreement on Trade in Services (GATS). It is required that the ACP liberalise towards the EU – but not immediately and not on all imports. The details of the agreements are to be negotiated and the parties will apply these flexible ties to determine the extent and timetable for liberalization. The EPA approach is to concentrate first and foremost on building **unified regional markets.**

[4] The Lome convention consisted of four conventions. Lome I (1975) was signed by 46 countries on the ACP side, Lome II (1980) by 58, Lome III (1985) by 65, and Lome IV (1990) by 70 ACP countries. Today, 79 countries belong to the ACP group, of which 77 negotiate EPAs with the EU (Cuba and South Africa do not take part in the negotiations). South Africa has already concluded a free-trade agreements with the EU in 1999, as part of the Trade, Development and Co-operation Agreement (TDCA). The absence of South Africa in EPA negotiations is critical with regard to the seven countries of the SADC EPA negotiating configuration because four of them (Botswana, Lesotho, Namibia, and Swaziland) are members of Southern African Customs Union (SACU) with South Africa.

[5] According to the Economic and Social Committee of the United Nations, the following three criteria are used for the identification of LDCs: (1) low-income criterion, (2) human resources weakness criterion, (3) economic vulnerability criterion. In addition to these criteria, the population of an LDC must not exceed 75 million (http://www.un.org/special-rep/ohrlls/ldc/ldc%20criteria.htm).

[6] WTO (1979). This rule was often ignored in practice, but was assured in the 2005 WTO ruling concerning a dispute between India and the EC over the EU GSP "Drugs Arrangement" and seems to gain in importance.

Trade relations between the EU and ECOWAS in particular and the ACP countries in general, could also be appreciated within the changing global context. The global trend towards lowering trade barriers results in an erosion of the value of preferences granted to ACP states, as the preferential margin decreases.

EPAs should promote the creation of larger markets through its focus on regional integration as they are supposed to encourage sustainable economic growth, develop the private sector, increase employment and improve access to productive resources. The West African sub-region will have a single market instead of many fragmented markets. This larger market allows for economies of scale, specialization, and a more efficient allocation of resources. This can lead to increased competitiveness that will make the markets more attractive to investment. The West African region aims at opening up its markets: free movement of goods and the establishment of a single common external tariff for the whole of the West African region. The EPA will support these existing integration processes, and is not an alternative, nor an obstacle.

The EPA between the EU and West Africa involves two regions, each with its own long history of regional integration. The EPA provides a unique opportunity for trade integration between the EU and West Africa by building on existing efforts to promote greater economic integration in the sub-region. It aims to help West Africa become more competitive, diversity its exports and build a regional market with the uniform, transparent and stable rules needed to reinforce economic governance and attract investment. The eventual goal is to build a genuine partnership for development between the EU and West Africa, tailored to the region's specific circumstances.

In addition to granting West Africa products direct and uninhibited access to the European markets, the former will also receive significant additional financial support from the EU in preparation and implementation of the EPA. The trade components of the agreement will be asymmetrical in the sense that West Africa will have twelve years or more to open up its economies, and will also have the opportunity to protect sensitive sectors. In return, the EU will grant full market access on all products immediately following the signing of the agreement with a phase-in period for rice and sugar.

It is pertinent to note that of the ACP regional economic communities that are negotiating the EPAs, West Africa is the biggest in terms of trade, accounting for about 40 per cent of all EU-ACP trade. The EU in turn is West Africa's leading trading partner, accounting for about one third of the region's trade. Bilateral trade between the EU and West Africa totaled about 32 billion Euros in 2006. The region's export to the EU totaled 16.5 billion Euros in 2006, of which about 64% was energy and 22% was agricultural products.

The regional part of EPA negotiations with West Africa is divided into three phases:

- Phase 1: Economic and commercial integration priorities of the West African region are formulated, an EPA Reference Framework in these areas is established; a program to enhance competitiveness and an upgrading program is formulated and implemented.

- Overall EPA architecture and draft agreement on all trade-related issues are formulated.

- Phase 3: Negotiations on trade liberalization and conclusion of the EPA mark the last phase of the negotiation.

The second phase of EPA negotiations between the EU and West Africa commenced on October 6th, 2003. The 16 West African countries were represented by delegates from the ECOWAS and the West African Economic and Monetary Union (WAEMU), even though Mauritania is not a member of both groupings. Since final negotiations could not be reached in 2007, it is hoped that June 2009 will bring a logical conclusion to the trade deal.

The first benchmark in the negotiation process was the adoption of the Road Map for EPA negotiations on 4th August 2004. This states the two main objectives of the agreement: first, to promote the deepening of the regional integration process and second, to ensure sustainable economic development in the West African region. In one of the recent negotiations in May 2009, ECOWAS demands EU's support for the expected adjustment costs in connection with the incorporation of flanking development measures into the negotiations, while the EU frowns at putting this on the negotiation agenda. In addition, ECOWAS is reluctant to discuss some of the Singaporean Issues from the WTO trade talks (where they have been rejected by developing countries including African countries as topics of negotiation), which the EU would like to take on board.

Potential adverse impacts of EPA have been observed by West African non-state actors. Many farmers and rural development stakeholders are profoundly opposed to EPAs in their current form and also perceive the CET as a threat towards their livelihoods. They demand for protective measures to be taken against the influx of cheap and subsidized EU exports. Though the issue of sensitive products remains unchallenged, the EU focuses more on the importance of trade-related issues that could be beneficial to ECOWAS than on the question of market access.

EPAs between ECOWAS and EU will definitely generate both trade creation and diversion. With respect to the former, net-consumers will generally face lower prices for imported food from the EU, provided that the elimination of tariffs is reflected in the prices. Food security in terms of availability, accessibility and affordability will be enhanced. Furthermore, there will be reducing employment opportunities in the agricultural sector for rural net-consumers simply because of the price disincentives on these crops brought about by the heavy competition from the EU agricultural exports.

Given this preferential trade liberalization scenario, net-agri-producers will most likely have to cope with stiff competition from the EU in some areas. Prices of some of their commodities will fall, therefore serving as a disincentive to produce for the domestic market. This remains critically crucial because agriculture remains the mainstay of the regional economy and about 70 per cent of the population relies on agriculture as a source of livelihood. By implication, a large proportion of the population might become food insecure due to reduced incomes from agricultural production and labor, and the fact that the non-farm sectors lack the capacity in terms of resources and infrastructure in order to absorb this EPA-induced agri-lay-offs.

Thus, in order to ensure access to food for net-producers and other vulnerable groups the definition of sensitive products is crucial in negotiating the EPAs in West Africa. This list of sensitive products should take food security as its main selection criterion, while emphasizing that protective measures do not improve competiveness of agribusiness. Thus, the long-run objective of ECOWAS should target the transformation of the ECOWAS agricultural sector into an efficient and optimal region.

With respect to the quantitative impact of EPAs on agriculture in West Africa, vis-à-vis the reciprocity condition embedded in the EPAs, this implies that ECOWAS countries will have to open up their agricultural-based economies to EU imports after the negotiations have been concluded. Logically, the trade effect of EPAs on ECOWAS would be felt more on the import side than exports due to the fact that most of the countries already have unutilized trade preferences with the EU. Thus, EPA will place EU imports as a major competitor against domestic agricultural production as well as put EU agricultural imports at an advantage relative to non-EU trading partners. In other words, there are potential agricultural trade creation and agricultural trade diversion effects from the EPA.

One of the goals of the EPAs is a great emphasis on regional integration in order to strengthen REC among the ACP countries. West African regional integration efforts date way back when ECOWAS was founded in 1975. The first regional phase of EPA negotiations between the EU and ECOWAS commenced on October 6th, 2003. ECOWAS was one of the first regions to initiate regional negotiations after the conclusion of the first negotiation phase between the EU and the whole ACP bloc. The EPAs were envisaged to be finalized in 2007, and implementation would come into force on January 1st, 2008.

On the West African side of the EPAs, the Regional Negotiating Committee (RNC) comprises the ECOWAS Executive Secretary, the President of the WAEMU Commission, two ambassadors of member countries in Brussels, two ambassadors of member countries in Geneva, one representative each of civil society and the private sector and two members of the Technical Support Committee. The latter includes three government members (mostly the Minister for Trade plus two other subject-related ministers, e.g. the Minister for Agriculture, Finance or External Affairs etc. according to the specific issues on the table), one private sector representative and one civil society representative of each member states.

The formal negotiation structure is divided into three levels:

- Chief Negotiators; West Africa is led by the ECOWAS Executive Secretary and assisted by the President of the WAEMU Commission, which the EU is led by the European Commissioner for Trade.

- Senior Officials; whereby the West African delegation is led by the ECOWAS Deputy Executive Secretary for Policy Harmonization and assisted by the WAEMU Commissioner for Tax, Customs, and Trade Policy. The EU is led by the Head of the European Commission Directorate of Trade responsible for the relations with West Africa.

- Technical Experts; comprising the Directors of Trade of the ECOWAS Executive Secretariat and the WAEMU Commission furthered by other members of the RNC. The EU delegation is led by representatives of the Departments of Trade, Development and other relevant Departments depending on the subject of the negotiations.

The first benchmark in the EPA negotiation process was the adoption of a Road Map for EPA negotiations on 4th August 2004. It clearly defines the two main objectives of the agreement; first, to promote the deepening of the regional integration process and second, to ensure sustainable economic development in West Africa. However, the ways to achieve these objectives are subject to interpretation, as they are not clearly formulated in the document. The Road Map also entails a participatory approach, requiring the inclusion of both private sector and civil society stakeholders. Furthermore, the Road Map provides a guideline of the preparation and implementation of the negotiations including an indicative schedule, defining a three-phased approach.

- September 2004 – September 2005: Regional Integration Priorities of the West African region; establishment of a Reference Framework in those identified areas; formulation and implementation of a program to enhance competitiveness and of an upgrading program.

- September 2005 – September 2006: Overall EPA architecture and draft agreement on all trade-related issues.

- September 2006 – December 2007: Negotiations on trade liberalization and conclusion of EPA.

However, the negotiations are currently pending before the first phase could be finalized, due to dissension between the negotiation partners.

Trade between West Africa and the EU within the Multilateral Trading System

Since 2000, trade relations between West Africa and the EU have been governed by the Cotonou Agreement except Ghana, Ivory Coast and Senegal which recently initialed the interim EPA. The EU and the ACP countries signed their cooperation agreement in Lome, Togo in 1975. After four successive Lome conventions, a broader partnership was signed in Cotonou, Benin, in June 2000, known as the Cotonou Agreement. It was signed by the Heads of State of all EU and ACP countries. This international treaty defines how the EU and ACP will cooperate on political, development and trade issues.

Furthermore, the Cotonou Agreement grants the West African countries unilateral preferences, that is, the EU gives better conditions to Nigeria in order for the latter to trade with the former, while the EU gets less in return. This trade relation is formally contrary to the WTO rules for international trade. Consequently, when the Cotonou Agreement entered into force, the signatory countries asked for, and received, a waiver from the other members of the WTO which was to expire at the end of 2007.

With the expiration of the waiver in mind, the Cotonou Agreement provided the Negotiation of Economic Partnership Agreements (EPAs) between the EU and ACP states. These would be negotiated with existing regional trade areas, and aim to govern trade relations from the end of the Cotonou Agreement onwards.

The EPA negotiations between the EU and West Africa have the objective to establish a trade and economic relationship for development between these two regions. As food security is essential for development, EPA negotiations should consider very seriously the potential impacts on food security in West Africa.

Table 2 and Figure 1 reveal the trade balance between ECOWAS and the EU for the period 1996 – 2005. The trade figures reveal that for the greater part of the period under review, ECOWAS records an unfavorable trade balance against the EU – 3 years of positive trade balance in a decade. This could be partly attributable to the CPA, the preferential trade scheme between ECOWAS member countries and the EU, and which explains the need for a more pro-poor trade scheme between the two communities.

EU's External Agri-trade with UEMOA

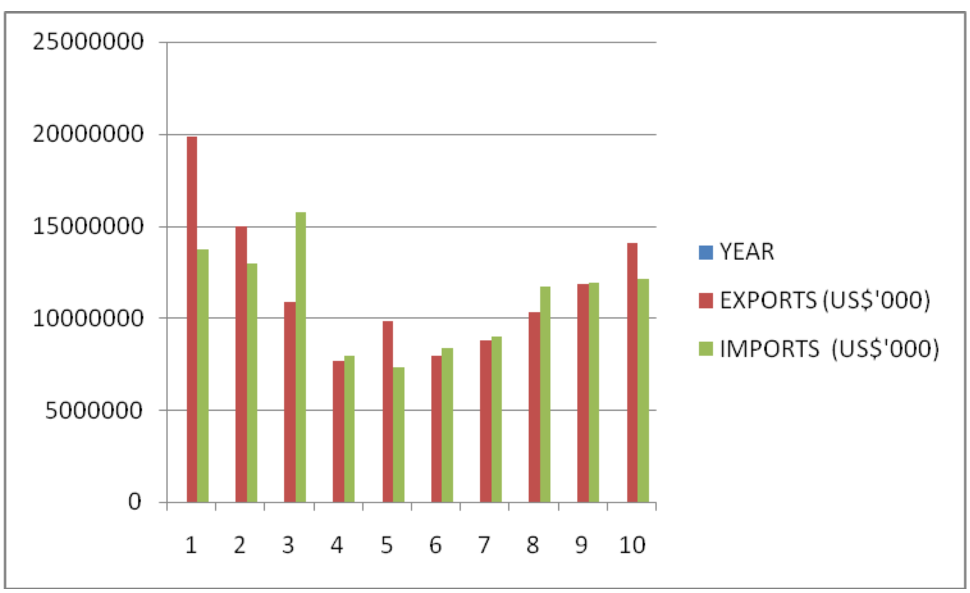
Table 3 presents the EU external agri-trade with UEMOA from 2000 – 2007. The EU imports in million Euros from UEMOA were unfavorable towards the former for the seven-year period. Table 3 shows that the highest trade balance in favor of UEMOA was in 2007 to the tune of €2,298.5 million, representing about 165% export/import ratio, compared to the least ratio of 123% which was recorded in 2003.

Table 2: ECOWAS Exports and Imports from the EU.

YEAR	EXPORTS (US$'000)	IMPORTS (US$'000)	TRADE BALANCE (US$'000)
1996	19845 146.26	13719 331.71	6125 814.55
1997	14991 782.75	12970 017.39	2021 765.36
1998	10862 152.90	15708 101.01	-4845 948.11
1999	7687 586.75	7952 417.76	-264 831.01
2000	9786 684.60	7301 435.88	2485 248.72
2001	7940 170.57	8329 741.70	-389 571.14
2002	8764 992.00	8973 304.13	-208 312.13
2003	10319 904.45	11686 927.70	-1367 023.25
2004	11848 689.03	11933 321.57	-84 632.54
2005	14044 308.71	12104 012.82	1940 295.89

Source: www.ecowas.int.

Figure 1: Trade between ECOWAS and the EU.



Source: www.ecowas.int.

Table 3: EU27 External Agri-trade with UEMOA (€' million).

	2000	2001	2002	2003	2004	2005	2006	2007	06 - 07
IMPORTS									
Agric.	1,890.9	2,013.3	2,342.7	2,539.6	2,048	1,838.2	1,794.0	2,028	13%
Total	2,855.7	3,025.8	3,410.5	3,298.2	2,850.7	2,851.0	3,260.9	3,547.6	9%
% of total imports	66%	67%	69%	77%	72%	64%	55%		
EXPORTS									
Agric.	803.3	928	960.7	930	817.2	873	882	995.6	13%
Total	4,105	4,120.1	4,332.3	4,044.5	4,079.1	4,524.6	5,044.8	5,846.1	16%
% of total exports	20%	23%	22%	23%	20%	19%	17%	17%	
BALANCE									
Total trade balance	1,249.3	1,094.4	921.8	746.4	1,228.4	1,673.6	1,783.9	2,289.5	
Export/import ratio	144%	136%	127%	123%	143%	159%	155%	165%	

Will EPAs undermine Regional Integration and Trade among ECOWAS Members?

Supporters of EPAs argue that EPAs will foster regional integration among the ACP if the EC achieves its objective of negotiating a single liberalization schedule to be applied by all ACP states in each EPA so that, by the end of the implementation period, they have identical regimes for imports from the EU. Since there exists a wide disparity in the tariffs that ACP states apply to imports from the EU. The ACP will be opening their markets to goods not just from each other but also to competitive (and in some cases subsidized) ones from the EU. However, given the differences in initial positions, harmonization of approach between ACP states will take a lot of time – adding to the need not to rush the end game.

If regional partners do not have identical tariffs towards the EU the effect will be to give new impetus to maintaining border controls between them – to intercept European goods entering an EPA state with a low tariff and being transshipped to one with a high tariff. This applies with particular force to countries that stay outside an EPA because the reject reciprocity: their self-exclusion will achieve nothing unless they monitor rigorously trade with their regional partners, making real integration less likely.

Various concerns have been expressed regarding the inconsiderable coherence between the EPA agenda and the regional integration processes in Africa. One of the major concerns is that countries in the same economic region might liberalize different baskets of products and so create new barriers to intra-regional trade in order to avoid trade deflection. In the case of Central and West Africa the principal challenge for regional integration is that most countries have not initialed an EPA, but Cameroon, Cote d'Ivoire and Ghana have done so. The countries in the regions that do not currently belong to an EPA will not reduce their tariffs towards the EU, maximizing the incompatibility between their trade regimes and those of Cameroon, Cote d' Ivoire, and Ghana.

CONCLUSION AND POLICY RECOMMENDATIONS

ECOWAS provides the negotiating base for the fifteen countries that make up the group plus Mauritius. These countries include 7 UEMOA countries of Benin, Burkina Faso, Chad, Cote d'Ivoire, Mali, Niger and Senegal. Other non-UEMOA member countries are Cape Verde, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Nigeria and Sierra Leone. The EPA is different from its Lome Convention predecessors in three respects. First, it involves reciprocal relationship between the EU and ACP (including ECOWAS) countries, unlike the Lome Convention that involved a non-reciprocal and preferential access of ACP exports into the EU markets.

Second, the EPAs are to be institutionalized in a series of Free Trade Agreements (FTAs) between the EU and a group of ACP countries.
Finally, the EPA is being negotiated separately between the EU on the one hand, and a number of ACP regions on the other hand, among which is ECOWAS.

The EPAs are intended to transform the current trade relations between ACP and the EU into WTO-compatible trade regimes. The EPAs negotiations focus on regional integration, institutional capacities, entrepreneurial development, enhanced market access, attracting foreign direct investments, progressive and flexible liberalization of trade of goods and services, simple and transparent rules for business and investment, and finally transfer trade relations from dependency to economic diversification.

Trade Policy Interventions to Enhance ECOWAS-EU Relations in the Agrifood Sector

Unlike other preferential trade programs, which do not require reciprocity, EPA is a two-way deal that requires ECOWAS member countries to open up their markets in return for better access to EU markets. EPA is a strategic preferential program which is characterized by certain limitations in the sense that it excludes agricultural products with the greatest export potential for ECOWAS. The EPA appears complex, cumbersome, and difficult to navigate and require periodic renewal, which can make long-term agricultural investment unattractive and undermine regional integration. The EU export markets which serve as destination markets for ECOWAS agricultural products are still heavily protected – and the highest tariffs are usually concentrated on the products in which ECOWAS has the greatest advantage.

Preference erosion continues to be a limiting factor for ECOWAS's agricultural growth and competitiveness. Bilateral and regional agricultural trade agreements erode preferential margins in the absence of a global trade deal as markets are selectively liberalized. As more bilateral and regional trade agreements emerge, ECOWAS's ability to trade in global markets may be further challenged. Competition from emerging economies and the expansion of preference programs to non-ECOWAS. LDCs have also hurt ECOWAS market shares in comparison with stronger exporters from other regions, and moving to 100% DFQF for all LDCs would also negatively affect ECOWAS's attractiveness as an agricultural supplier in some key markets. Other related recommendations include:

- Since trade flows with ECOWAS member countries are insignificant, thus, the EU should avoid the adoption of protectionist measures in order to promote ECOWAS access to EU markets for agricultural commodities.

- EPA will help to integrate ECOWAS member countries into the EU and global market, but could be much more effective. To improve EPA, EU must expand them to cover all products (especially in the agriculture and textile sectors) and make efforts to ensure that they are permanent and predictable, with simplified and harmonized eligibility rules that make it easier for ECOWAS agricultural exporters to sell their products to the EU.

- EPA will hurt the agricultural market shares of other non-ECOWAS regional blocs in Africa. Thus, safeguards including more meaningful AfT, prioritization of infrastructure and trade facilitation should be implemented to prevent preference erosion for ECOWAS and improve ECOWAS's long-term competitiveness.

Aid for agricultural trade (AfAT)

There is a need to improve the agricultural competitiveness of ECOWAS LDCs in order to ensure that gains from accessing EU markets on the EPA platform are not lost. While safeguards for ECOWAS member countries might be considered in the short term, strengthening ECOWAS's long-term competitiveness within and outside the continent will require additional measures, such as more targeted and meaningful aid for trade, prioritization of infrastructure improvements and agricultural trade facilitation.

Being limited by the strategically dynamic trade policies, ECOWAS agricultural exporters to the EU are constrained in their abilities to produce and deliver goods demanded by the EU. In order to overcome these challenges, ECOWAS needs support in the form of aid for agricultural trade in order to reduce supply-side constraints (including financial and technical assistance for the development of basic and value chain infrastructure, from roads to cold storage systems to electricity generation and telecommunications systems); assistance in modernizing customs and tax systems; and adjustment costs to compensate for losses incurred through the implementation of trade reforms. Aid for agricultural trade should aim to strengthen capacity to help ECOWAS member countries move up the agricultural value chain by producing higher-value goods and developing different sectors of their economies, such as building agro-allied industries.

- AfAT financing is essential to increasing ECOWAS's ability to access the EU markets for agricultural commodities. EU must substantially increase its AfAT budget so that annual AfAT could be used to finance technical assistance and capacity building programs such as communication systems, modernizing customs and tax systems, regional agricultural trade and integration.

- AfAT should also be directed at facilitating economic integration and promoting sub-regional agricultural trade in ECOWAS by fully financing and utilizing African-led institutions/programs such as the African Development Bank Group, NPCA's CAADP, Brookings Institutions' African Growth Initiative (AGI) and the four CAADP Pillar Institutions.

Agricultural and Food Security Investment

Given the structural differences in the regional economies of the EU and ECOWAS, the reciprocity condition implicit in the ongoing EPAs have several implications for expansion of agricultural trade benefits, economic development and poverty alleviation in West Africa. In order for the two regional blocs to achieve mutual benefits from the EPAs, the structure and level of agro-industrial development in West Africa should be an important factor in negotiating EPAs between the EU and ECOWAS. Furthermore, EPA's goals should be to complement the agricultural development programs[7] of ECOWAS countries by maintaining and improving the sub-region's current agricultural market access to the EU and by enhancing the food supply response capacity of the countries in the sub-region so that they can take full advantage of the various domestic and external opportunities that will be created by the EPAs. Policy recommendations on agricultural investment related issues include:

- Creating a more conducive climate for agricultural investment is a crucial foundation for improving agricultural trade and growth of the ECOWAS sub-region. Investment flows in agricultural-oriented infrastructure and regional integration must be increased. As regional integration is key to ECOWAS's growth, more attention and investment should be directed towards ECOWAS-led agricultural initiatives such as the development corridors and the AU/NPCA Climate Investment Facility.

Subsidies and Domestic Supports

- Trade-distorting subsidies in the EU prevent ECOWAS member countries from maximizing the gains from bilateral trade and the EPA program, particularly in the agricultural sector where ECOWAS maintains a competitive advantage. The EU must prioritize the elimination of these subsidies on crops that ECOWAS produces, such as cotton, rice and sugar, with or without a conclusion to the DDA. The EU must also eliminate all export subsidies by 2013 and, reduce overall CAP subsidies and redirect spending into growth, development and carbon-mitigating investments that do not compete with ECOWAS exports.

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