



REGIONAL WORKSHOP

ON

THE IMPACT OF ACP-EU ECONOMIC
PARTNERSHIP AGREEMENTS ON
ECOWAS COUNTRIES

WORKSHOP
CONCLUSIONS &
RECOMMENDATIONS

Benin Marina Hotel, Cotonou (Benin), 13 - 17
September 2004

The workshop, organized by Friedrich Ebert Foundation, is meant to serve as a framework for a diagnosis and brainstorming on the likelihood of some effects of the Economic Partnership Agreement (EPA) on ECOWAS countries and Mauritania.

I. PROCEEDINGS OF THE WORKSHOP

This was a three-day workshop (from 14 to 16 September 2004), and was essentially organized for representatives of Ministries in charge of Commerce, representatives of ECOWAS Executive Secretariat and of the Commission of the West African Economic and Monetary Union (WAEMU) as well as for researchers interested in the evaluation of the impact of EPA implementation.

Proceedings were opened by the Minister of Finance and Economy, of the Republic of Benin, Mr Gregoire LAOUROU, who especially underscored the importance that ECOWAS countries give to the *ex ante* evaluation of the likelihood of EPA impacts on their economies so as to be able to identify the complementary measures likely to soften the negative effects that might follow.

Several papers were presented during the deliberations and touched on the following :

1st Session : Current negotiations between ECOWAS, EU and EPA

- " The road map of the negotiations", presented Mr Koman ADOU (ECOWAS Executive Secretariat) ;
- " EPA negotiations viewed from Europe ", presented by Mr Jean-Luc SENOU, Resident Representative of the WAEMU Commission in Brussels ;

2nd Session : On-going projects and discussions

- " The impact of EPA Trade Reforms on SENEGAL : an approach with a Computable General Equilibrium Model" , presented by Mr Mamadou DANSOKHO, Resacher at CREA (SENEGAL) ;
- "The impact of the Economic Partnership Agreement with the European Union on the Economy of Benin" by Mr. Epiphane G. ADJOVI, Ministry of Finance and Economy, Benin ;
- The relevance of the Singapore issues in the EPA-negotiations between the ECOWAS countries and the EU" by Mrs. Abibatou DIOP-BOARE, CIRES, Abidjan ;

3rd Session : The impacts of EPA on ECOWAS Countries ;

"An Empirical Analysis of the Trade and Budget Effects" presented by Mr. Matthias BUSSE, Researcher at the Hamburg Institute of International Economics (HWWA) ;

4th Session: Options for the negotiations and for policies;

"The EPA-option: A Comparative Assessment and Basic Prerequisites" by Mr. Axel BORRMANN, HWWA, Researcher, Hamburg ;

- " Trade, Economic Integration and the Role of Institutions " by Mr Matthias BUSSE, Researcher at the Hamburg Institute of International Economics (HWWA).

Each of the papers gave rise to debates and discussions, which enabled the workshop participants to express a certain number of concerns and worries related to the EPA challenges and their possible effects on the economies in the region.

A last session, exclusively bringing together representatives of States and Secretariats was devoted to the definition of proposals of strategy to be implemented at regional level to ensure efficient management of the conduct of negotiations.

II. WHAT ARE THE MAIN CONCLUSIONS OF THE WORKSHOP ?

II.1. The main conclusions of the Hamburg Institute of International Economics (HWWA)

Apart from the conclusions of impact studies conducted both in Benin and in Senegal, all reporting about difficulties consecutive to the implementation of the EPA for both countries, there is need to note that the conclusions reached by the HWWA study are hardly optimistic.

The study under review, which was achieved on the basis of a Computable Partial Equilibrium Model worked out by HWWA researchers with the financial assistance of the Friedrich Ebert Foundation, laid a strong emphasis on trade and budget effects which might occur should ECOWAS countries including Mauritania, open up their domestic markets to products coming from the EU as part of EPA implementation, to be signed latest on January 1st, 2008.

With regards to trade effects, the study concluded that effects of trade creation would be much more considerable than trade diversion, for the States of the region on the whole, except only the case of Ghana, for which both situations were relatively similar. Watching from that angle, the EPA between EU and ECOWAS countries and Mauritania is likely to improve the overall levels of welfare in countries of the sub-region.

Regarding the budget effects, it appeared that the abolition of customs duties consecutive to the implementation of the EPA would bring about a decline in customs revenue and by way of consequence, a decline in budget incomes in most States, some of these being much more affected than others when it comes to import duties, especially Cap-Vert (79.9%) and the Gambia (65%) whereas Niger is less affected (29.6%).

Comparison of such results with those of a study carried out by CAPE on WAEMU member States shows that in the latter's case, the negative effects of EPA on WAEMU States are much more considerable.

Besides, the study also looks into the reflections on the options being offered to countries of the region in the negotiations. In this respect, it suggests that ECOWAS Countries could accept or abstain from the EPA offer and rather have recourse to non-reciprocal trade preferences as provided by the EU within the context of "Everything But Arms" (EBA) initiative for LDCs or improved Generalized System of Preference (GSP) for non-LDCs. However, sitting at the EPA table assumes for countries of the region that some arrangements should be made especially, the specific identification of complementary measures and the reform of the domestic tax system.

Finally, the study scrutinizes the linkage between trade liberalization and institutional capacity building and reveals that capacity building should have a positive impact on the economic environment in our countries.

II.2. The main concerns as expressed during the discussions

Participants concerns were many and essentially referred to :

- the objective limitations related to the national approach of various impact studies presented, given the the need to adopt a regional strategy for negotiations with the EU ;
- the negative effects of trade opening-up onto industry and agriculture of countries of the region ;
- the situation of ECOWAS countries having LDC status when it comes to the application of the reciprocity that characterizes the EPA.;
- the fear of seeing the States of the region locked up in a forced agreement with the European Union at the expense of the opening-up onto other regions of the world, with the risks of trade diversion that this may imply ;
- the low level of development of the productive system and infrastructures in ECOWAS and the issue of competitiveness of our enterprises ;
- the issue of funding of the various adjustment costs as a result of the EPA implementation, and especially compensations of tax incomes losses generated by customs disarmament vis-a-vis the European Union, as well as upgrading activities for the economies of countries of the region ;
- the issue of additional resources that EU will be making available to face the many funding needs of countries of the region;
- the place of the debate on cotton subsidies within the context of EPA negotiations ;
- the place of some Singapore issues in the EPA negotiations with the European Union, given the positive impact that trade competition, investment and facilitation issues may have on future relations between the ECOWAS region and the European Union ;
- the strategy to adopt so as to make the principles of special and differentiated treatment be considered appropriately in the EPA negotiations, principles applicable to developing countries and LDCs within WTO ;
- the impacts of the European Union being expanded both onto EPA negotiations and on development funding cooperation and on delocalisation of European firms and towards our markets generally considered as creditworthy ;
- the implications of the choice of Mauritania to negotiate the EPA within the geographical configuration of ECOWAS whereas it is no longer a member of the latter.

II-3 Conclusions and recommendations of the workshop

- the need to make ECOWAS Customs Union effective before the setting up of the free trade zone between the West Africa region and the European Union ; some arrangements should also be made for a more meaningful trade service liberalization in the region, given the importance of services in the quest of competitiveness;
- the need to quickly organize some capacity building programmes for the WAEMU Commission and for the ECOWAS Executive Secretariat, as well as for the national administrations responsible for negotiations on behalf of the West Africa region ;
- the need to upgrade the productive system and infrastructures prior to any opening to European competition so as to improve the production capacities and remove offer constraints ; such upgrading should also have to directly involve producers thanks to appropriate training programmes ;
- the need to adapt private sector assistance tools as planned under the Cotonou Agreement, to the true needs of ventures in the region ;
- the need for the European Union to abide by its commitments aiming at making the Cotonou Agreement, a true development instrument, by making sufficient resources available to accompany the States of the region and enable them to bear the various adjustment costs relating to the EPA implementation ;
- the pressing need for our countries and regional organisations to improve total good governance including institutional capacity and more particularly business environment to better attract potential investors ;
- the need for our countries to also mobilize domestic resources to fund part of adjustment costs subsequent to the EPA implementation and thus, supplement resources that the European Union and other development partners could allocate ;
- the need to give, during EPA negotiations, a very peculiar importance to the issue of rules of origin and standards applied by the European Union, given the influence that decisions reached in this respect could have on our countries' true capacity to ensure a better access of their products to the EU markets ;
- It was also suggested that TIDPP (ADPIC) issue be thoroughly scrutinized in the negotiations;
- the need for our region to now design upgrading projects and programmes for our economies, to place on the negotiating table ;
- the need to improve the evaluation method of the EPA impact on countries in the region, by particularly making sure a regional approach is prioritized and by working out, in mid term, a computable general equilibrium model, deemed as much more relevant for this kind of exercise ; the short term use of a model developed by HWWA, is nevertheless recommended to proceed with the drafting of lists of sensitive products at regional level ;
- the effects of trade service liberalisation between EU and ECOWAS countries should also be subject to study ;
- the need for a better organisation and effective organisation of the civil society, especially by way of a specific definition and capacity building for of its components,

with a view to making it fully play the role entrusted to it during the negotiations and in the ACP-EU partnership ;

- the need for our countries to give peculiar attention to the preparation of the mid-term review of EPA negotiations chalked for 2006, without forgetting the mid-term review of the 9th EDF to take place next year in 2005, given the impact that this couple of exercises should have on the continuation of negotiations ;
- the urgent need to make the Technical Support Committees operational in the context of EPA regional negotiations structure ; in the same vein, the Regional Preparation Task Force should get to work to ensure a quick mobilization of resources needed for capacity building in the region, under the perspective of an efficient implementation of the EPA ;
- the need to agree on a proper timing and sequencing i. e. the time-table contained in the road-map of negotiations, to enable all actors to better plan and manage their participation in the negotiations ; in this respect, the negotiation themes planned in a short-term under the road-map are related to : trade facilitation, technical hindrances to trade, SPS measures and protection measures at borders, as well as capacity building in such areas to submit to the Regional Preparation Task Force.

Sincere thanks go to the Friedrich Ebert Foundation, to Hamburg Institute of International Economics and to the autorités of the Republic of Benin.

Done in Cotonou, on September 16, 2004