

# ACP-EU Economic Partnership Agreements: Implications for Ghana and other ECOWAS countries

## Background

The African, Caribbean and Pacific Countries (ACP) are now in the throes of negotiating new regional trade agreements – called Economic Partnership Agreements – with the European Union (EU) which will diverge radically from past trading relationships. Previously, the Lomé Conventions have governed the EU's trade, aid and political links with ACP countries, the EU's former colonies. Under these Conventions, the EU gave unilateral trade preferences to all ACP countries so they had better access to EU markets than their developing and developed country competitors. The Conventions also allowed ACP countries to protect their markets from EU competition<sup>1</sup>.

In Cotonou in June 2000, a new agreement was signed to succeed the Lomé Conventions. This was the Cotonou Partnership Agreement and, like the fourth Lomé Convention it replaced, is concerned with supporting the economic development of ACP countries and recognises their sovereign right to make their own decisions regarding their economy and development<sup>2</sup>. It is also supposed to benefit sustainable development and poverty reduction, since Article 34, Objective 1, of the Agreement 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.*'<sup>3</sup> It is crucial that commitments to poverty reduction are central to trade agreements: trade liberalisation should not be seen as an end in itself, but instead should be about furthering people's capabilities and opportunities. But all too often, the costs and benefits of trade are distributed unevenly, deepening inequality by bringing prosperity to the few but increased poverty to the majority<sup>4</sup>. It is crucial, then, that EPAs and their alternatives are consistent with the poverty reduction and sustainable development requirements set out in the Cotonou agreement.

The agreement stipulated that by September 2002 the EU and ACP countries must begin talks to negotiate Economic Partnership Agreements (EPA) between the EU and regional country groupings, such as the Economic Community of West African States (ECOWAS)<sup>5</sup>. This process has now begun, but it seems the EU is not being as development-friendly as it might first appear to be.

## So what's wrong with EPAs?

### *Development and reciprocal trade*

Previous Lomé agreements have been characterised by a non-reciprocal trading relationship. This meant that ACP countries could protect their markets from EU imports while ACP exporters had better access to EU markets than their competitors<sup>6</sup>. However, EPAs mark a radical departure from this because the EU is choosing to negotiate the agreements under the strict WTO rules that govern reciprocal free trade agreements (FTAs), requiring ACP countries to open their markets to '*substantially all*' EU imports over a limited period of time.<sup>7</sup> The EU is requesting the removal of all trade barriers on 90 percent of EU-ACP trade within 10 years, including trade with least developed countries (LDCs). EPAs, as they currently stand, would require much deeper market opening by ACP countries than would be demanded by any potential future WTO agreement<sup>8</sup>. ACP country governments are understandably deeply concerned about how their economies and development strategies will cope with the potential impacts of reciprocity in FTAs<sup>9</sup>. The EU policy shift from a non-reciprocal to a reciprocal

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<sup>1</sup> Concord Cotonou Working Groups (2004) *Why the EU approach to the EPA negotiations is bad for development*. Available at: [www.epawatch.net/general/text.php?itemID=166&menuID=28](http://www.epawatch.net/general/text.php?itemID=166&menuID=28). Christian Aid (2005) *For richer or poorer. Transforming economic partnership agreements between Europe and Africa*. Christian Aid, London.

<sup>2</sup> Christian Aid (2005) *For richer or poorer. Transforming economic partnership agreements between Europe and Africa*. Christian Aid, London.

<sup>3</sup> The Cotonou Agreement, available at: [http://europa.eu.int/comm/development/body/cotonou/agreement/agr17\\_en.htm](http://europa.eu.int/comm/development/body/cotonou/agreement/agr17_en.htm).

<sup>4</sup> UNDP (2005) *Human Development Report 2005. International cooperation at a crossroads: aid, trade and security in an unequal world*. UNDP, New York.

<sup>5</sup> Christian Aid (2005) *For richer or poorer. Transforming economic partnership agreements between Europe and Africa*. Christian Aid, London.

<sup>6</sup> Ibid, Christian Aid (2005).

<sup>7</sup> Ibid, Christian Aid (2005).

<sup>8</sup> Griffith, M. and Stuart, L. (2004) *The wrong ointment: why the EU's proposals for free trade with Africa will not heal its scar of poverty*. CAFOD, London.

<sup>9</sup> *Six reasons to oppose EPAs in their current form* (2004). Available at: [http://www.oxfam.org.uk/what\\_we\\_do/issues/trade/epas.htm](http://www.oxfam.org.uk/what_we_do/issues/trade/epas.htm)

trading relationship with ACP countries has been pushed by: the EU's demand that EPAs be compatible with their interpretation of WTO rules; the lack of development gains secured by ACP countries from preferential treatment in EU market access; and the EU's pursuit of its own 'aggressive market access strategy'<sup>10</sup>.

Many governments, trade negotiators and civil society organisations of ACP countries have raised concerns over EPAs. The President of Botswana, who can speak more openly than many African governments because his country is less dependent on EU aid, has said "*We fear that our economies will not be able to withstand the pressures associated with liberalisation. This therefore challenges us all as partners to ensure that the outcome of the ongoing EPA negotiations does not leave ACP countries more vulnerable to the vagaries of globalisation and liberalisation, thus further marginalising their economies*"<sup>11</sup>. Similar concerns have been expressed by Mauritius, another country in a comparable position to Botswana, and these are shared by many other African countries that – due to their dependence on EU aid – are not prepared to speak as freely<sup>12</sup>. One of Ghana's MPs, Kwame Osei-Prempeh, has said "*I am more convinced that EPAs stand to knock us back. EPAs stand to harm us... it will only benefit our European partners. The ACP must sit up and look at this issue critically*"<sup>13</sup>. The Kenyan Trade Minister, Dr. Mukhisa Kituyi, has said "*The premise on which we started negotiations on EPAs was that when the Cotonou Agreement expired no country would be worse off than under Cotonou. But that was the beginning of the problem because the very notion of reciprocity, which is baked into this negotiation, goes way beyond what was provided for under Cotonou*"<sup>14</sup>, highlighting concerns over EU demands for reciprocity.

These are very legitimate concerns, yet the EU continues to tout EPAs as a pro-development agenda. But by choosing to negotiate EPAs as free trade agreements, the EU is neglecting the WTO principle of special and differential treatment (S&DT) for less developed countries and marks a shift away from their previous thinking on development and trade. The EU no longer seems to recognise that a trading relationship based on reciprocal free trade between regions with unequal levels of development will result in damaging impacts on the less developed partner's economy and society<sup>15</sup>. While trade is often seen as a tool for development, it is becoming increasingly clear that rapid trade liberalisation will not on its own lead to positive development outcomes. As Martin Wolf, economist and UK Financial Times journalist has said "*trade liberalisation, as an aim, regardless of the circumstances, will not generate rapid growth. On this there is no disagreement, and never has been among serious analysts*"<sup>16</sup>. However, since trade – when used as part of national strategies to reduce poverty – can be benefit development, countries should be able to choose how and when they open their markets and use trade policies that best suit their own levels of development, their priorities and their needs. This is because certain conditions are necessary before a country can open its markets and benefit from trade, such as competitive domestic producers, a viable commodity sector, good physical infrastructure, and strong supply capacity and productivity<sup>17</sup>, otherwise trade liberalisation will likely lead to deindustrialisation. Due to the high levels of concentration within the industrial sectors of many ACP countries, competition is as yet not well developed in their domestic markets. If local firms are inefficient, they can be sustained because they enjoy great market power. Opening the domestic market to foreign competition will lead to one of two things: either it will force local firms to quickly become efficient and competitive, or firms will go out of business. If there is easy access to loans and new jobs, this will only be a short term problem<sup>18</sup>. In Africa, the most likely result is that many of her farmers, industries and firms will go out of business and, because access to loans and jobs in most African countries is difficult and costly, the impacts of deindustrialisation will be severe and long-term. Deindustrialisation is likely to bring with it increasing reliance on primary products as export commodities, the prices of which have been declining for years. This will exacerbate pressure on land resources as increased export volumes are necessary

<sup>10</sup> Traidcraft (2003) *Economic Partnership Agreements: The EU's New Trade Battleground*. Traidcraft, London, p.3.

<sup>11</sup> Mogae, F. (2004) Speech by the President of Botswana, Festus Mogae in an address to the Joint ACP-EU Ministers Meeting in Gabarone on 6th May 2004. Quoted in Ochieng, C. and Sharman, T. *Trade traps: Why EU-ACP Economic Partnership Agreements pose a threat to Africa's development*. ActionAid International.

<sup>12</sup> Ochieng, C. and Sharman, T. *Trade traps: Why EU-ACP Economic Partnership Agreements pose a threat to Africa's development*. ActionAid International

<sup>13</sup> Kwame Osei-Prepeh, Joint Parliamentary Assembly, Brussels, 5th February 2005. Quoted in Griffith, M. and Stuart, L. (2004) *The wrong ointment: why the EU's proposals for free trade with Africa will not heal its scar of poverty*. CAFOD, London.

<sup>14</sup> Quoted in: Sharman, T. (2005) *The trade escape: WTO rules and alternatives to free trade Economic Partnership Agreements*. ActionAid International, London.

<sup>15</sup> Christian Aid (2005) *For richer or poorer. Transforming economic partnership agreements between Europe and Africa*. Christian Aid, London.

<sup>16</sup> Martin Wolf (2004) *Why globalisation works*. Yale University Press, London, quoted in *Six reasons to oppose EPAs in their current form* (2004). Available at: [http://www.oxfam.org.uk/what\\_we\\_do/issues/trade/epas.htm](http://www.oxfam.org.uk/what_we_do/issues/trade/epas.htm)

<sup>17</sup> Fortin, C. (2005) *Trade for Development: Towards an MDG-friendly trading system*. UNCTAD. Available at: [http://www.unctad.org/Templates/page.asp?intltemID=2113&lang=1#flash\\_tfd](http://www.unctad.org/Templates/page.asp?intltemID=2113&lang=1#flash_tfd)

<sup>18</sup> Szepesi, S. (2004). *Coercion or Engagement? Economics and institutions in ACP-EU trade negotiations (ECDPM Discussion Paper 56)*. Maastricht: ECDPM.

to maintain incomes. Food security crop farmers will be further marginalised increasing the pressure on remaining forests as they are cleared for small scale agriculture.

Besides the inequalities resulting from the different levels of development between EU and ACP countries, EU producers also have huge advantages over their ACP counterparts in terms of competitiveness, a situation the EU seems to overlook entirely in its demands for reciprocity. EU farmers benefit from enormous subsidies which seem set to remain at least until 2013<sup>19</sup>, resulting in grossly unfair competition since ACP farmers can never hope to benefit from such assistance<sup>20</sup>. EU spending on their Common Agricultural Policy (CAP) alone is double the value of all Africa's annual agricultural exports and the CAP is now set to increase even further<sup>21</sup>. This is not fair competition. ACP farmers must be allowed to provide the same support for their farmers to make trade more fair. The EU is trying to use its powerful position in the EPA negotiations to gain further market access for its products while refusing to address the negative impacts of CAP on producers and small businesses in developing countries<sup>22</sup>. And EU farmers have other advantages: they can get good lending rates of 2-4 percent, as against 30-50 percent faced by African farmers. The European road networks, marketing systems and other infrastructure also help EU farmers be more productive and competitive than their ACP counterparts<sup>23</sup>.



Yam farmer preparing his field to produce yams for local consumption and export. But, just like the rest of Ghana's farmers, he gets no subsidies from the government to help his production. This makes it difficult for farmers to compete with subsidised products available on domestic and international markets.  
Picture: FoE-Ghana

<sup>19</sup> At the 2005 WTO trade talks in Hong Kong, it was agreed that farm export subsidies should be gradually phased out by 2013. *Ghanaian Times*, (2006) Africa threatened by WTO decisions, Jan. 12<sup>th</sup>, pgs.1&4; and: BBC story reprinted in the *Daily Graphic*, WTO ends agric subsidies. December 20<sup>th</sup>, 2005, p.15.

<sup>20</sup> TWN Africa (2005) The Case Against the EPAs. African Trade Agenda, 23<sup>rd</sup> March, 2005. Available at: <http://www.twnafrica.org/print.asp?twnlD=784>

<sup>21</sup> Griffith, M. and Stuart, L. (2004) *The Wrong Ointment: why the EU's proposals for free trade with Africa will not heal its scar of poverty*. CAFOD, London.

<sup>22</sup> Traidcraft (2003) *Economic Partnership Agreements: The EU's New Trade Battleground*. Traidcraft Exchange, London.

<sup>23</sup> TWN Africa (2005) The Case Against the EPAs. African Trade Agenda, 23<sup>rd</sup> March, 2005. Available at: <http://www.twnafrica.org/print.asp?twnlD=784>

The European Commission's (EC) own Sustainability Impact Assessment of EPAs on ACPs itself found EPAs 'might accelerate the collapse of the modern West Africa manufacturing sector' and may also 'further discourage the development of processing and manufacturing capacity in ACP countries in export oriented and other industries'<sup>24</sup>. When these impacts are expected even by the EC, why then do they choose to continue with EPAs in their current form? It is crucial that developing countries be given the necessary time to develop strong and competitive domestic production capacity so they can compete with increased EU imports. For this they must be allowed to implement measures to protect their fledgling industries and domestic producers in sensitive sectors from EU competition.

#### *Solidarity undermined*

In past conventions, the EU has negotiated with all ACP countries together, allowing them some level of negotiating power and political strength through the solidarity of a large trading block. Similarly, the multilateral route to trade negotiations such as the World Trade Organisation (WTO) gives trading blocks some negotiating power and a better chance of defending their interests<sup>25</sup>. Splitting these blocks into regions – as the EU is doing through the EPAs – undermines their solidarity, negotiating power and political strength, thereby weakening the bargaining power of African countries. The EU is likely to prefer this bilateral route for trade negotiations in the hope it can gain further concessions – “the perfect ‘divide and rule’ tactic”<sup>26</sup>. It is important that ECOWAS countries, and other ACP groupings, retain solidarity in the EPA negotiations and ensure they do not make any concessions that are not reciprocated by the EU in return.

Most ACP countries are further undermined by their lack of capacity in trade negotiations. Whereas the EU is able to send delegates to all relevant trade talks, representatives of ACP countries cannot always be physically present to ensure their countries' needs are met. The EPA negotiations will spread both resources and negotiating capacity even more thinly<sup>27</sup>. As Eveline Herfkens, UN General Secretary's co-ordinator for the campaign to promote the Millennium Development Goals (MDGs) has said: “EPAs are a real problem for poor countries... LDCs that include many ACP countries have neither the time nor the capacity to negotiate strong agreements with the EU”<sup>28</sup>. This will further marginalise the needs of ACP countries who are already disadvantaged by the divisive tactics of the EU, which is further exacerbated by the EU's strength in terms of financial and negotiating capacity.

#### *Loss of government revenue*

Many have warned of the likely loss of revenue that developing country governments will face in the wake of tariff removal. Tariffs generate important revenues for many ACP countries. According to IMF figures for 1999-2001, import duties contributed 15 percent to government revenue in developing countries, and 34 percent for Africa's least-developed countries<sup>29</sup>. The United Nations Economic Commission for Africa (UNECA) estimated that during the last decade, the revenue from international trade taxes generated an average of 30.5 percent towards total revenue for sub-Saharan Africa. All low income countries, by comparison, earn around 22.5 percent, lower-middle income countries 18.4 percent, while high income OECD countries rely on trade taxes for just 0.8 percent of total revenues<sup>30</sup>. The UK's Institute for Development Studies (IDS) has estimated that, from the base scenario of 80 percent liberalisation, three quarters of ACP countries could lose 40 percent of their EU tariff revenue, while over a third may lose as much as 60 percent or more<sup>31</sup>.

Loss of this important source of revenue will force further cuts to the already low levels of spending on crucial social welfare needs such as education, health, food security, and providing access to water and sanitation. Prising open ACP markets by forcing cuts in import tariffs is inconsistent with the supposed development concerns of EPAs. Kofi Annan has added his voice to the fears over lost government revenues that would result from tariff elimination: “A major concern, for example, is the impact that trade liberalisation to be wrought by

<sup>24</sup> Sustainability Impact Assessments (SIA) of Trade Negotiations of the EU-ACP Economic Partnership Agreements. Mid-term report working draft, 2003. Available at: [http://www.sia-gcc.org/acp/downloads/summarized\\_mid-term\\_report\\_final\\_doc\\_light.pdf](http://www.sia-gcc.org/acp/downloads/summarized_mid-term_report_final_doc_light.pdf)

<sup>25</sup> Traidcraft (2003) *Economic Partnership Agreements: The EU's New Trade Battleground*. Traidcraft, London, p.3.

<sup>26</sup> Traidcraft (2003) *Economic Partnership Agreements: The EU's New Trade Battleground*. Traidcraft, London, p.3.

<sup>27</sup> *Six reasons to oppose EPAs in their current form* (2004) Available at: [http://www.oxfam.org.uk/what\\_we\\_do/issues/trade/epas.htm](http://www.oxfam.org.uk/what_we_do/issues/trade/epas.htm)

<sup>28</sup> Anne De Ron IPS (2004) *Small countries' problems get bigger*. Brussels. Quoted in: *Six reasons to oppose EPAs in their current form*. Available at: [http://www.oxfam.org.uk/what\\_we\\_do/issues/trade/epas.htm](http://www.oxfam.org.uk/what_we_do/issues/trade/epas.htm)

<sup>29</sup> Development Central Issue to Market Access Talks. *Bridges Weekly Trade News Digest*, vol.7, no.15, April 30<sup>th</sup>, 2003. Available at: <http://www.ictsd.org/weekly/03-04-30/story1.htm>

<sup>30</sup> UNECA (2004) *Economic Report Africa 2004*. United Nations Economic Commission for Africa. Available at: <http://www.uneca.org/ERA2004/>

<sup>31</sup> Stevens, C. and Kennan, J. (2005) *EU-ACP Economic Partnership Agreements: The Effects of Reciprocity*. Institute of Development Studies, Sussex, UK.

*EPAs would have on fiscal revenue. Many of your countries are heavily dependent on income from tariffs for government revenue. The prospect of falling government revenue, combined with falling commodity prices and huge external indebtedness, imposes a heavy burden on your countries and threatens to further hinder your ability to achieve the Millennium Development Goals<sup>32</sup>. The EU should not force ACP countries into reciprocity in tariff removal: it will be too damaging for their economies, for people's livelihoods, and for their efforts towards reaching the Millennium Development Goals which Africa is already struggling to reach.*

In defending its position, the EU maintains that cutting tariffs *could* lead to increased trade and therefore more revenue to counter losses from tariff removal<sup>33</sup>. But this will only happen if Africa and other ACP countries are able to secure increased exports, particularly value-added consumer goods, to the EU. When trading with such a dominant 'partner' that is already highly competitive in the global marketplace, ACP countries will find it very difficult – particularly if they have not first been able to develop their own domestic competitiveness and regional integration – to increase their exports to the EU under EPAs. And aside from the competitiveness of cheaper EU products, ACP countries will find it very difficult to break into European markets that are already dominated by long established, well-loved and highly patronised European and US brand names. This will further stifle the development of future value-added processing in Africa and other ACP countries.



Rice farmers in Ghana's Volta Region, working in their fields, and sharing their problems with Friends of the Earth-Ghana Trade and Environment Programme Co-ordinator.  
Picture: FoE-Ghana

A related issue of concern is the Common External Tariff (CET) that members of ECOWAS have agreed to implement. Ghana has now formally adopted the CET and is in the process of changing duty rates on thousands of products<sup>34</sup>. Although the CET is a mechanism aimed at promoting regional economic integration, it will also cause loss of national revenues and the government is now analysing ways to broaden the tax base and so make up for these losses<sup>35</sup>. It is also likely to further undermine agricultural sectors, such as Ghana's rice and poultry farmers, who have already suffered from trade liberalisation and unfair competition from cheap subsidised imports. The concern is that at a level of 20 percent for consumer items, the CET is too low to allow

<sup>32</sup> Message by HEM Kofi Annan, Secretary-General of the United Nations, delivered by K.Y. Amoako, Executive Secretary, Economic Commission for Africa, to the 4<sup>th</sup> Summit of ACP Heads of State and Government, quoted in Oxfam (2004) *Six reasons to oppose the EPAs in their current form*. Available at: [www.oxfam.org.uk/what\\_we\\_do/issues/trade/epas.htm](http://www.oxfam.org.uk/what_we_do/issues/trade/epas.htm)

<sup>33</sup> TWN Africa (2005) *The Case Against the EPAs*. From Africa Trade Agenda, 23<sup>rd</sup> March, 2005. Available at: <http://www.twnafrica.org/print.asp?twid=784>

<sup>34</sup> USAID at: <http://www.usaid.gov/missions/warp/newsletter/ecintegration/>

<sup>35</sup> USAID West Africa. (2005) At: [www.usaid.gov/missions/warp/ecintegration/ecotrade/](http://www.usaid.gov/missions/warp/ecintegration/ecotrade/)

for flexibility in protecting sensitive agricultural sectors<sup>36</sup>. Already the economies of the West African francophone countries, which adopted the 20 percent CET much earlier, are suffering severe impacts, particularly to their agricultural sectors, including some products on which developed countries legally impose tariffs of up to 300 percent<sup>37</sup>. Research by Friends of the Earth-Ghana has already pointed to the dire impacts that lack of subsidies and unfair trade rules are having on Ghana's rice and poultry sectors, with farmers laying off staff, selling products at well below market prices, and some going completely out of business. The CET will mean that Ghana and the rest of ECOWAS will be unable to increase tariffs in areas such as rice and poultry to give those farmers better protection. The CET is not responsive to the specific needs of individual countries because it is set at a regional level. Since ECOWAS has not yet developed a strong integrated regional market for trade, CET will undermine local producers, particularly poor farmers, as well as reduce government tariff revenues. It is not yet known how the EPA will impact on CET and vice versa, such as which tariff will override the other where their levels differ.

#### *Impacts on regional integration*

ACP countries have recognised the potential benefits of regional integration and are in the process of developing regional groupings of developing countries, such as the ECOWAS in West Africa. Benefits include intra-regional trade and investment, resource pooling, expanded markets, diversification, and value added processing<sup>38</sup>. Developing regional markets and promoting new regional production to respond to market needs are central to Africa's efforts to build international competitiveness<sup>39</sup>. Regional trade will also bring environmental benefits because products traded within regions will travel shorter distances than goods imported from the EU. Africa's regional production, processing and marketing need to be well developed before the continent opens up to increased EU competition, otherwise Africa's quest for international competitiveness will be reversed. Yet the EU's timetable is forcing EPAs too quickly and not allowing time for Africa to develop new regional markets and production. It has taken over 20 years for African regional groupings to reach their current levels of integration. EPAs will require countries to group into FTAs by 2007 and then eliminate tariffs on 90 percent of EU exports within 10-12 years<sup>40</sup>. This could seriously undermine African regional integration and Africa's desire to become internationally competitive. ECOWAS asked if it could be allowed to deepen its regional integration before eliminating tariffs on EU imports but this request was denied by the EU<sup>41</sup>.

Concern over the impact of EPAs on future trade arrangements with other countries and regions is also mounting. At a regional workshop organised for ECOWAS governments, representatives and researchers, concerns were raised about how liberalising ECOWAS countries' industrial and agricultural markets for the EU would impact on opening their markets to other countries once ECOWAS was locked into an EPA with the EU<sup>42</sup>. This is a legitimate concern and one that must be addressed within the EPA negotiations to ensure EPAs do not stifle Africa's future trading opportunities with non-EU countries.

The EPAs may also have a damaging impact on existing regional groupings. Where countries are part of more than one regional body involved in EPA negotiations, they must leave one of the groups because the EU insists states can only be a member of a 'single trading arrangement' with the EU, potentially leading to the break up of existing regional groups<sup>43</sup>. Concern has also been raised that regional solidarity will be undermined due to the very different products that member countries within each region import from the EU and how this will impact on the choice of products to be liberalised within a region. The IDS in the UK has estimated that in ECOWAS, for example, 92 percent of the products likely to be on one country's list of exclusions for liberalisation would be

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<sup>36</sup> ISODEC (2005) The Road to Hong Kong Campaign. Civil societies demand pro-poor agric and trade policies from leaders. Available at: [www.isodec.org.gh/campaigns/Trade/tradenews\\_NEPAD.htm](http://www.isodec.org.gh/campaigns/Trade/tradenews_NEPAD.htm)

<sup>37</sup> Aziz, A. (2005) West African poultry farmers meet in Accra. *Daily Graphic*, November 22<sup>nd</sup>, 2005, p.3.

<sup>38</sup> *Six reasons to oppose EPAs in their current form* (2004). Available at: [http://www.oxfam.org.uk/what\\_we\\_do/issues/trade/epas.htm](http://www.oxfam.org.uk/what_we_do/issues/trade/epas.htm)

<sup>39</sup> Christian Aid (2005) *For richer or poorer. Transforming economic partnership agreements between Europe and Africa*. Christian Aid, London.

<sup>40</sup> Ochieng, C. and Sharman, T. *Trade traps: Why EU-ACP Economic Partnership Agreements pose a threat to Africa's development*. ActionAid International

<sup>41</sup> Christian Aid (2005) *For richer or poorer. Transforming economic partnership agreements between Europe and Africa*. Christian Aid, London.

<sup>42</sup> Regional Workshop on the impacts of ACP-EU EPAs on ECOWAS countries, organized for Ministers in charge of commerce, representatives of ECOWAS Executive Secretariat and of the Commission of the West African Economic and Monetary Union (WAEMU) and researchers interested in evaluating EPAs. Held in Cotonou, Benin, 2004. Available at:

[http://fesportal.fes.de/pls/portal30/docs/FOLDER/INTERNATIONAL/AFRIKA/The\\_Impact\\_of\\_ACP\\_EU.PDF](http://fesportal.fes.de/pls/portal30/docs/FOLDER/INTERNATIONAL/AFRIKA/The_Impact_of_ACP_EU.PDF)

<sup>43</sup> Ochieng, C. and Sharman, T. *Trade traps: Why EU-ACP Economic Partnership Agreements pose a threat to Africa's development*. ActionAid International

absent from the exclusion lists of all its partner countries<sup>44</sup>, causing problems when negotiating decisions about which products to liberalise within a region.



Capacity building: rice farmers sharing their concerns about Ghana's farming sector while FoE-Ghana's Trade and Environment Programme Co-ordinator explains the impacts of international trade on their livelihoods  
Picture: FoE-Ghana

### *The Singapore Issues*

The EC is pressing to include agreements on investment, trade facilitation, government procurement, and competition policy – otherwise known as the Singapore Issues in the WTO – as well as data protection, within the EPAs, but ACP countries are firmly against this. Strong opposition from these and other developing countries successfully forced all the Singapore Issues, except for trade facilitation, out of the WTO's Doha round<sup>45</sup>. The Cotonou Agreement only requires agreements on investment protection and cooperation on competition policies, so the EU is not only going beyond the scope of Cotonou<sup>46</sup> but is also going beyond the WTO consensus. ACP countries are now forced to renegotiate their position in the EPAs with regard to the Singapore Issues.

The reason ACP countries are so resistant to the Singapore Issues is because they represent crucial elements of industrial policy<sup>47</sup>. An agreement on investment, for example, would limit the capacity of ACP governments to set their own domestic policies in this crucial area<sup>48</sup> and would deny them the opportunity to regulate European corporations effectively, and also to ensure foreign investment is socially responsible and contributes to poverty reduction rather than profit creation<sup>49</sup>. Economies such as South Korea have proven that a country's economic development relies on a government's ability to set its own domestic policies on investment. South Korea's tight controls on foreign direct investment allowed in only those companies that would bring maximum upstream and downstream benefits allowing the country to develop a world class economy<sup>50</sup>. Singapore and Taiwan also both benefited in similar ways<sup>51</sup>. The EU's liberalisation agenda would deny African countries the opportunity to

<sup>44</sup> Calculated in relation to the items excluded by any member if 80% of imports are to be liberalised. Stevens, C. and Kennan, J. (2005) *EU-ACP Economic Partnership Agreements: The Effects of Reciprocity*. Institute for Development Studies, Sussex, UK.

<sup>45</sup> Concord Cotonou Working Group (2004) *Why the EU approach to the EPA negotiations is bad for development*. At: <http://www.epawatch.net/general/text.php?itemID=166&menuID=28>

<sup>46</sup> Ochieng, C. and Sharman, T. *Trade Traps: Why EU-ACP Economic Partnership Agreements pose a threat to Africa's development*. ActionAid International, London.

<sup>47</sup> Griffith, M. and Stuart, L. (2004) *The wrong ointment: why the EU's proposals for free trade with Africa will not heal its scar of poverty*. CAFOD, London.

<sup>48</sup> Stuart, L. (2005) Why the European Commission is wrong about EPAs. *Trade Negotiations Insights: from Doha to Cotonou*, vol.4, no.2, pgs.1-3.

<sup>49</sup> Sharman, T. (2005) *The trade escape*. ActionAid International, London.

<sup>50</sup> Chang, H-J (2002) *Kicking away the ladder – development strategy in a historical perspective*. Anthem Press, London.

<sup>51</sup> Stuart, L. (2005) Why the European Commission is wrong about EPAs. *Trade Negotiations Insights: from Doha to Cotonou*, vol.4, no.2, pgs.1-3.

develop in the way South Korea has done. And it has been said that imposing the Singapore Issues on developing countries would “almost surely impede development”<sup>52</sup>.

West African ministers, who gave the ECOWAS Secretariat the remit to develop a road-map for their EPA negotiations, were outraged to discover it included the Singapore Issues that they had so vehemently opposed. And now the very contentious issue of an investment framework, having been included as part of the development and regional integration package, is being prioritised in the EPA road-map. Very controversially, it now seems the Singapore Issues will become the very infrastructure for the ECOWAS-EU EPA negotiations<sup>53</sup>. And yet the Cotonou Agreement, of which EPAs are a part, stresses the need to take ‘due regard for their [i.e. ACP countries] political choices and development priorities’<sup>54</sup>, but still the EU ignores the ACP countries’ concerns over the Singapore Issues. The sovereign right of ACP countries to make their own decisions over their future economic development is being undermined by the EU which is now prioritising issues that ACP countries are firmly opposed to even including.

### **How will EPAs impact on Ghana and ECOWAS?**

The EU is an important trading partner for Africa – it absorbs about 31 percent of Africa’s exports and supplies 40 percent of its imports<sup>55</sup> – so it is easy to see why ECOWAS countries want to negotiate an EPA with the EU, but they must be careful to take time and not give concessions that are not reciprocated. The EU is in a powerful position however. With Sub-Saharan Africa (excluding South Africa) having a meagre and declining share of world exports – just 0.3 percent in 2002<sup>56</sup> – the region will be concerned not to lose any existing or future export opportunities with the EU. High income countries, by contrast, still account for two thirds of world exports yet represent just 15 percent of the world’s population<sup>57</sup>. Such deep inequality in the distribution of export shares alone is enough to see who has the upper hand in the EPA negotiations.

EPAs are likely to have a range of impacts – largely negative – on Ghana and other ECOWAS countries, including economic, social and environmental ones. Revenue impacts are likely to be large as a result of reciprocal tariff removal on EU imports. In 2000, import revenues contributed 16 percent to the Ghana government’s revenue. Predictions of the revenue impact of the EPA suggest that in the middle income scenario<sup>58</sup>, Ghana would lose \$91 million in import duties<sup>59</sup>, equivalent to 66 percent of total import duties<sup>60</sup> and 10 percent of total government revenue<sup>61</sup>. These are significant losses. Exports to the EU will have to increase significantly if such high losses are to be recovered, yet there is no guarantee that exports will grow at all in the face of such strong EU competition.

The most likely outcome is that imports of EU products will flood ECOWAS markets and push domestic products out of local markets, replicating what has already happened in several key West African agricultural sectors such as the poultry and rice sectors. Due to the tariff reductions in West Africa as a result of structural adjustment policies and the West African Economic and Monetary Union’s (WAEMU) CET, there has been an eight-fold increase in the import of EU poultry products with over 30 percent of the total imports going to Ghana<sup>62</sup>. In 2000, US\$11 million worth of poultry products were imported, but just a year later this had more than doubled to US\$26 million. These products are selling at 25-30 percent below the cost of production in Ghana due to the

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<sup>52</sup> Stiglitz, J. (2004) *An agenda for the development round of trade negotiations in the aftermath of Cancún*. Commonwealth Secretariat, London.

<sup>53</sup> TWN Africa (2005) *The Case Against the EPAs*. From Africa Trade Agenda, 23<sup>rd</sup> March, 2005. Available at: <http://www.twnafrica.org/print.asp?twid=784>

<sup>54</sup> The Cotonou Agreement, available at: [http://europa.eu.int/comm/development/body/cotonou/agreement/agr17\\_en.htm](http://europa.eu.int/comm/development/body/cotonou/agreement/agr17_en.htm).

<sup>55</sup> Hinkle, L. and Schiff, M. (2004) Economic Partnership Agreements between Sub-Saharan Africa and the EU: a development perspective. *World Economy*, vol.27, no.9.

<sup>56</sup> World Bank (2005). *World Development Indicators 2005 CD Rom*, Washington, DC.

<sup>57</sup> UNDP (2005) *Human Development Report 2005. International cooperation at a crossroads: aid, trade and security in an unequal world*. UNDP, New York.

<sup>58</sup> The authors (Busse, M. and Großmann, H. 2004) of the report containing these figures estimated three scenarios – a low, middle and high income scenario. For the purposes of this discussion, the middle income scenario has been used.

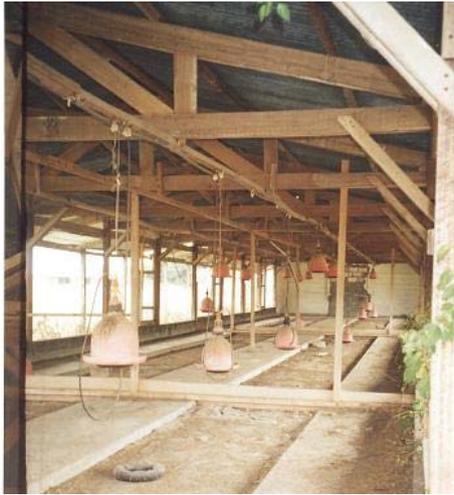
<sup>59</sup> After Nigeria who would lose \$487.8 million. Busse, M. and Großmann, H. (2004) *Assessing the impact of ACP/EU Economic Partnership Agreement on West African Countries*. HWWA Discussion Paper 294, Hamburg Institute of International Economics, Hamburg, Germany.

<sup>60</sup> After Cape Verde at 79.9% of total import duties. Busse, M. and Großmann, H. (2004).

<sup>61</sup> After Gambia at 21.9%, Cape Verde at 19.8% and Senegal at 10.7%. Busse, M. and Großmann, H. (2004).

<sup>62</sup> Goodison, P. (2004) Analysis of EU agricultural and food product exports to Ghana, European Research Centre. Research carried out for Christian Aid and quoted in: Christian Aid (2005) *For richer or poorer: transforming economic partnership agreements between Europe and Africa*. Christian Aid, London.

production and export subsidies they enjoy in developed countries<sup>63</sup>. The livelihoods of Ghana's poultry farmers are now seriously under threat and there are signs the industry is already collapsing<sup>64</sup>. Abandoned poultry farms are now a common sight in Ghana as local poultry farmers are forced out of business by unfair competition from cheap subsidised EU imports. The farmers' problems have recently been exacerbated by the high price of feed which has doubled within just a few months. Poultry farmers have been forced to lay off many workers and to sell eggs for chick production at a small fraction of the price normally received<sup>65</sup>. Reciprocal tariff removal will mean more producers, farmers and businesses will suffer these same consequences and be forced out of business by cheap EU imports unless ECOWAS countries are given sufficient time to develop and strengthen their competitiveness in domestic markets before opening to EU trade.



An abandoned poultry farm at Akuse in the Eastern Region of Ghana. Pictures: FoE-Ghana

The EU's requirement for reciprocity in tariff removal on EU imports may not be consistent with already agreed regional ECOWAS policies for agriculture. The West African Agricultural Policy (ECOWAP) states that unilateral protective action at the regional level is justified where vulnerable populations may be injured<sup>66</sup>. If livelihoods are undermined and agricultural sectors found to be suffering as a result of EPA implementation, it seems unlikely West African states would break EPA rules to protect its producers. If protective measures such as increased tariffs were imposed, the EU would probably force ECOWAS countries to back down, just like when IMF, World Bank and developed country government pressure forced the Ghana government to cut import tariffs imposed to protect the country's rice and poultry farmers<sup>67</sup>. It is therefore critical that the EPA is designed in a way that will strengthen rather than undermine pre-existing regional trade arrangements and agricultural policies, and also allow for countries to protect sensitive sectors important to the majority poor and to a country's own development agenda.

Tariff removal is likely to have two major effects that will impact on farmers, businesses and industry. First, imported cheap EU products will undermine local producers and industries, potentially putting them out of business if they cannot compete. This is related to trade creation<sup>68</sup> where overall consumption of imported

<sup>63</sup> *Banned toxic chemical scare hits Ghana*. General News of Thursday, May 1<sup>st</sup>, 2003. Available at:

[www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=35878&nav=previous](http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=35878&nav=previous)

<sup>64</sup> Christian Aid (2005) *For richer or poorer: transforming economic partnership agreements between Europe and Africa*. Christian Aid, London.

<sup>65</sup> Hope, K.E., Owusu-Antwi, D. and Tong, C.Z. (2005) Maize shortage hits poultry industry: farmers complain. *Ghanaian Times*, June 17<sup>th</sup>, p.1&4. This is also backed by research undertaken by FOE-Ghana through field visits to poultry farmers in Ghana's Central and Eastern Regions.

<sup>66</sup> Press Release: Civil society groups call on Heads of State to make trade and agricultural reforms 'pro-poor'. *Daily Graphic*, Saturday May 7<sup>th</sup>, 2005, p.6.

<sup>67</sup> Ayamdoo, C. (2004) Presentation at the 3Dthree workshop on Integrating Human Rights into the Future of Agriculture. Workshop report available at: <http://www.3dthree.org/en/page.php?IDpage=21&IDcat=5>

<sup>68</sup> "Trade creation... is the welfare improvement that arises because high-cost domestic production in the ACP region is replaced by lower-cost production in the EU. Trade creation thus allows the partner countries to better exploit their comparative advantage. As markets are opened, both the ACP region and the EU further specialise their production, thereby serving the markets of partner countries with products at

products increases as a result of lower prices, but domestic producers are displaced<sup>69</sup>. Consumers benefit from reduced prices, but the negative impact of job losses are likely to undermine any gains in welfare. This will be a repeat of past experiences for Ghana: between 1987 and 1993, liberalisation in consumer imports caused employment in manufacturing to fall from 78,700 to just 28,000<sup>70</sup>. There are also negative environmental impacts as food and other products are transported longer distances, thereby increasing transport-related pollution.

Second is trade diversion<sup>71</sup> which will result as products from non-EU third countries are pushed out of the importing country's market by EU products that benefit from tariff removal<sup>72</sup> and so become cheaper as a result of liberalisation. To counter this and maintain existing trade flows, importing countries could also reduce or remove import tariffs on equivalent non-EU products to maintain their costs at or below those of EU imports and so maintain their competitiveness. EPAs will not only damage existing well-established intra-regional trade: increased dependence on EU imports will stifle the potential for new trade to emerge if the future where intra-regional trade has not yet developed<sup>73</sup>. To encourage the emergence of intra-regional trade prior to liberalisation, ECOWAS maintained during its EPA negotiations that it needed to first strengthen its integration and create a regional market with the assistance of their 'partner', the EU, before negotiating their FTA. The EU, however, has no intention of timing the EPA negotiations to coincide with the completion of West African integration<sup>74</sup>. Yet the Cotonou Partnership Agreement includes the principle of deepening regional integration. EPAs – by undermining existing and potential future intra-African and intra-regional trade – will be contrary to this principle, and will likely reduce regional production and levels of economic activity<sup>75</sup>. This will also have negative environmental impacts by undermining existing and potential future trade with countries geographically closer than the EU. This will mean products will travel greater distances causing increased transport-related pollution.

Europe stands to benefit greatly from EPAs so it is of no surprise it is pursuing them with such vigour. Mid-scenario estimates suggest the EU will benefit from trade creation and trade diversion to the value of \$46 million and \$40 million respectively for Ghana alone. For Nigeria, the equivalent estimates are \$348 million trade creation and \$229 million trade diversion<sup>76</sup>. The Africa Economic Policy Centre (AEPC) estimates other figures for trade diversion. For Ghana and Nigeria, it suggests that US\$102 million and US\$173 million of trade value respectively will be diverted to the EU from possibly more efficient producers in non-EU countries<sup>77</sup>, exacerbating the pollution effects where this substitution increases distances goods are transported. The impact on ECOWAS countries of lost regional trade will be varied. Togo, Mali, Niger, Senegal and Guinea-Bissau will

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lower prices. For the FTA as a whole, trade creation improves resource allocation and welfare." Szepesi, S. (2004) *Coercion or Engagement? Economic and Institutions in ACP-EU Trade Negotiations*. ECDPM Discussion Paper 56. ECDPM, Maastricht, p.3. This is a definition typical of trade theory which often does not relate to practical outcomes on the ground. Furthermore, while the definition is useful, it seems to completely overlook the issue and impact of EU farm subsidies that helps makes EU production supposedly 'lower-cost', and ignores the other trade distorting impacts of the CAP and the benefits enjoyed by EU businesses and industries which are likely to cause overall welfare losses for ACP producers, businesses and industries who will have difficulty competing in both domestic and EU markets. The definition also overlooks the externalised environmental costs of EU imports compared with locally and regionally traded goods which, if fully included in the cost of EU products, would make them potentially more costly and less efficient than products from local and regional sources.

<sup>69</sup> Busse, M. and Großmann, H. (2004) *Assessing the impact of ACP/EU Economic Partnership Agreement on West African Countries*. HWWA Discussion Paper 294, Hamburg Institute of International Economics, Hamburg, Germany.

<sup>70</sup> Buffie, E. (2001) *Trade policy in developing countries*. CUP, Cambridge. Referenced in: Ochieng, C. and Sharman, T. *Trade traps: why EU-ACP Economic Partnership Agreements pose a threat to Africa's development*. ActionAid International, London.

<sup>71</sup> "Upon trade liberalisation between an ACP region and the EU, trade diversion is the welfare change caused by ACP consumers and producers substituting higher-cost imports from the EU for lower-cost import from third countries. This substitution can arise if the new tariff-free prices of EU goods are below those of taxed goods imported from the rest of the world. Though ACP consumers gain from lower prices, economy-wide welfare is negatively affected because the tariff revenue that was previously yielded from third-country imports is now lost". Szepesi, S. (2004), p.3.

<sup>72</sup> Busse, M. and Großmann, H. (2004) *Assessing the impact of ACP/EU Economic Partnership Agreement on West African Countries*. HWWA Discussion Paper 294, Hamburg Institute of International Economics, Hamburg, Germany.

<sup>73</sup> Stephen Karingi, Rémi Lang, Nassim Oulmane, Romain Perez, Mustapha Sadni Jallab, and Hakim Ben Hammouda (2005). *Economic and welfare impacts of the EU-Africa Economic Partnership Agreements*. ATPC Work in Progress, No.10. Africa Economic Policy Centre, Economic Commission for Africa.

<sup>74</sup> Third World Network Africa. (2005) *State of the EPA negotiations between West Africa and the European Community*. Available at: <http://www.twnafrica.org/docs/ECOWAS-EU%20EPA%20Status%20Report.rtf>

<sup>75</sup> Stephen Karingi, Rémi Lang, Nassim Oulmane, Romain Perez, Mustapha Sadni Jallab, and Hakim Ben Hammouda (2005). *Economic and welfare impacts of the EU-Africa Economic Partnership Agreements*. ATPC Work in Progress, No.10. Africa Economic Policy Centre, Economic Commission for Africa.

<sup>76</sup> Busse, M. and Großmann, H. (2004) *Assessing the impact of ACP/EU Economic Partnership Agreement on West African Countries*. HWWA Discussion Paper 294, Hamburg Institute of International Economics, Hamburg, Germany.

<sup>77</sup> Stephen Karingi, Rémi Lang, Nassim Oulmane, Romain Perez, Mustapha Sadni Jallab, and Hakim Ben Hammouda (2005). *Economic and welfare impacts of the EU-Africa Economic Partnership Agreements*. ATPC Work in Progress, No.10. Africa Economic Policy Centre, Economic Commission for Africa.

register no trade diversion and Nigeria only a limited amount from other ECOWAS countries, illustrating the low level of intra-regional trade involving these countries, and EPAs will severely limit the potential for such intra-regional trade to develop in the future. By contrast, 23 percent of the trade diverted from Ghana will originate from other ECOWAS countries<sup>78</sup>. This will have significant impacts for countries currently exporting to Ghana which will lose export markets and future export potential, contributing to job losses and deindustrialisation. It will also lead to damaging environmental impacts as food and other products will travel further when imported from the EU instead of ECOWAS regional neighbours. Transport-related environmental costs are externalised from international trade, distorting supposed comparative advantages. If these costs were internalised, EU products would likely remain more expensive than the ECOWAS products they will divert.



Local rice production as a food security crop for local consumption.  
Dawhenya, Greater Accra. Picture: FoE-Ghana

The AEPC estimates the EU will also benefit from substantial trade creation effects from EPAs. EU imports into the ECOWAS region will increase rapidly, benefiting particularly from strong growth in Nigeria, Ghana, Cote d'Ivoire and Senegal. Apart from Guinea-Bissau, average growth in all ECOWAS countries will be above 20 percent, with EU exports to Ghana growing by 38 percent alone<sup>79</sup>. This is a deeply worrying trend because, besides the environmental impacts of the increased food and product miles, local domestic producers are going to be hit very hard. If the EPA is put in place too soon, ECOWAS producers will have inadequate time to build their competitiveness before the flood of EU imports begins. One estimate suggests that as few as 25 percent of Ghanaian industries will survive without tariff support following EPA implementation<sup>80</sup>. For agriculture, the problems will be widespread, with increased food insecurity particularly in the rural regions, as farmers lose their livelihoods and are unable to access the 'cheap' EU imports due to lack of spending power. And the EU is being less than helpful with extra funds to finance the transition.

African Countries will need significant funds for investment in production and supply capacity improvements before they open to further EU competition, and to finance social and other compensatory measures which are not available due to structural adjustment, HIV/AIDs pandemic, debt and war amongst others<sup>81</sup>. African countries

<sup>78</sup> Stephen Karingi, Rémi Lang, Nassim Oulmane, Romain Perez, Mustapha Sadni Jallab, and Hakim Ben Hammouda (2005). *Economic and welfare impacts of the EU-Africa Economic Partnership Agreements*. ATPC Work in Progress, No.10. Africa Economic Policy Centre, Economic Commission for Africa.

<sup>79</sup> Karingi, S. *et al*

<sup>80</sup> EUROSTEP (2004) *New ACP-EU Trade Arrangements: New Barriers to Eradicating Poverty?* EUROSTEP, Brussels, Belgium.

<sup>81</sup> Concord Cotonou Working Group (2004) *Why the EU approach to the EPA negotiations is bad for development*. At: <http://www.epawatch.net/general/text.php?itemID=166&menuID=28>

have called on the EU to provide additional resources to assist with these EPA adjustment costs, but EU trade negotiators insist this is not part of the remit of EPA talks, and that financing is instead covered by the European Development Fund (EDF). Yet only 1.8 percent of this fund is set aside for trade development activities, hence the request for additional assistance for EPA implementation<sup>82</sup>. Financing for adjustment costs and strengthening capacity had been included in the EPA 'roadmap' but the EC asked for the paragraphs on 'improvement of competitiveness' and 'capacity building' to be deleted, arguing the EDF managed those aspects<sup>83</sup>. If African countries are to increase their chance of being competitive with EU products once their markets are liberalised, they must improve their domestic production capacity, and for this they need more time and financial assistance, both of which the EU seems unwilling to give.

Time is also needed to allow for debate at the regional level between ECOWAS farmers. ECOWAS countries lack a regional association representing farmers' views that could advise the EPA negotiations of the situation 'on the ground' and how specific sectors are likely to be impacted on by the agreement. Since most food in West Africa is produced by poor peasant farmers and, furthermore, the majority of West Africans are engaged in agriculture, it is crucial their voices are heard and their needs are respected and accounted for in the EPA agreement. National farmers' associations must be given the opportunity to come together for regional debate to enable discussion between ECOWAS farmers of problems, likely impacts and solutions, and allow time to find common agreement and voice their opinions at the regional level. This would be consistent with the legal commitment of the Cotonou Agreement that requires policy decisions to involve actors previously excluded from such processes, such as civil society and trade unions.

Although the Cotonou Partnership Agreement stipulates the EU must provide an alternative for those countries not wanting to be part of an EPA, these alternatives have not been forthcoming. Indeed the EU has even implied it will not provide any alternatives until countries have firmly rejected the EPA. The alternatives suggested so far have been described as second best options due to their lack of any development dimension<sup>84</sup>. The UK has taken a pro-poor country stance to the EPA negotiations, but a leaked letter revealed the EU has tried to persuade the UK government to reverse its position, condemning it as "a major and unwelcome shift"<sup>85</sup>. The letter said the UK's stance "could well make progress with EPA negotiations more difficult by reinforcing the views of the more sceptical ACP states and raising the prospects of alternatives that are, in reality, impractical"<sup>86</sup>. The UK's International Development Committee of MPs has said that development must be integral to any alternatives put forward to ACP countries, even if they are not the EU's first choice, so that ACP countries are given real alternatives to EPAs<sup>87</sup>.

## Conclusions

The EU is probably the most important trading partner for ACP countries and this puts it in a very strong negotiating position. ACP countries must tread very carefully.

Although the EU suggests EPAs are pro-development, analysis of their potential impacts strongly suggests otherwise. ACP countries are at a disadvantage because the EU, in choosing to negotiate with smaller regional blocks of countries, is undermining the solidarity of the ACP through its divide and rule tactics. The negotiating capacity of regional groups will be weaker than that of the whole ACP together, enabling the EU to secure further concessions than might otherwise be possible. This will exacerbate the negative impacts of EPAs.

The EU's choice of negotiating EPAs under the strict rules of FTAs requires countries to open their markets to substantially all trade within 10 years. This will not give ACP countries enough time to develop their productive capacities and strengthen their competitiveness prior to the influx of EU products into ACP markets. The result will be deindustrialisation, job losses, weakened ACP economies and increased food insecurity. The future development of intraregional markets, industrial development and associated job creation will be stifled by EU

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<sup>82</sup> Christian Aid (2005) *For richer or poorer. Transforming economic partnership agreements between Europe and Africa*. Christian Aid, London.

<sup>83</sup> Third World Network Africa. (2005) *State of the EPA negotiations between West Africa and the European Community*. Available at: <http://www.twnafrica.org/docs/ECOWAS-EU%20EPA%20Status%20Report.rtf>

<sup>84</sup> This was said by the EU's Trade Commissioner, Peter Mandelson, although ActionAid says it is both premature and not his place to say what the alternatives to EPAs will be. Sharman, T. (2005) *The trade escape*. ActionAid International, London.

<sup>85</sup> Leaked letter from Peter Carl, the EC's top trade official. Quoted in: Elliott, L. (2005) EU move to block trade aid for poor: leaked letter says Mandelson will press Blair to weaken deal for developing world. *Guardian*, May 19<sup>th</sup>. Available at: [www.guardian.co.uk/guardianpolitics/story/0,,1487141.00.html](http://www.guardian.co.uk/guardianpolitics/story/0,,1487141.00.html)

<sup>86</sup> Ibid, leaked letter from Peter Carl..

<sup>87</sup> International Development Committee (2005). Quoted in: Sharman, T. (2005) *The trade escape*. ActionAid International, London.

imports, further undermining economic development in ACP countries. This scenario does not lay the foundations for using trade as a means of poverty eradication, and will certainly impede progress towards the MDGs. Existing trade within regions and between ACP and other non-EU countries will be diverted by 'cheap' EU imports. And the EU stands to gain huge financial benefits at the expense of developing countries' peoples and economies. It is therefore not surprising that the EU is pushing EPAs so hard and so fast. This cannot be considered as pro-development. Yet central to the Cotonou Partnership Agreement are poverty eradication and sustainable development. It has already been established that rapid trade liberalisation alone does not bring about development: only when it is part of an overall strategy for eradicating poverty can it lead to development gains. There are also environmental disbenefits: distances that products travel between exporting and importing countries will increase causing further transport-related pollution and associated environmental damage. More land will be devoted to export agriculture which will push food security crop farmers further into marginal lands, and/or cause conversion of more forests to farmland.

Adjustment to EPA implementation will require increased financial aid from the EU which must commit itself to this assistance to enable ACP countries to develop their competitiveness prior to trade liberalisation. Tariff revenue loss will hit government coffers hard, resulting in even less money available for funding crucial social services such as education, health, water and sanitation provision, let alone the financial requirements of EPA implementation. Again, this is not development friendly.

EPAs are likely to undermine regional integration and could result in the break up of pre-existing regional groupings. Yet regional integration is crucial for ACP countries to develop their political strength, economic competitiveness, regional markets and productive capacities. Countries that decide not to join their region's EPA may still suffer the impacts of cheap EU products which will enter their markets from neighbouring EPA-participating countries.

Inclusion of the Singapore Issues – so vehemently opposed by ACP countries – will undermine the sovereign rights of ACP states to set their own agendas in crucial areas of industrial policy such as investment. This in spite of the Cotonou Agreement's stated goal of taking due regard for ACP countries' sovereign rights over their political choices and development priorities. This will further stifle their economic development.

In view of the problems set out above, we would like to make a number of recommendations to the EU regarding their EPA negotiations with ECOWAS countries:

1. The EPA negotiations in their current form must be stopped immediately;
2. The EU must withdraw its demand for reciprocity in trade liberalisation, more especially in sectors that are crucial to ECOWAS development and that are critical to already vulnerable groups such as food security crop farmers;
3. The EPA negotiations must be undertaken at a pace determined by ECOWAS countries, and must ensure flexibility in timing to allow ECOWAS countries:
  - o to develop their own national and regional capacity in production, processing, industry and intra-regional trade before opening their markets to EU products and so improve their chances of competing with EU imports;
  - o to complete their regional integration; the EU has the advantage of being a long established and well integrated region and must allow ECOWAS countries to benefit in the same way and so minimise the negative impacts of trade liberalisation;
4. Negotiations must allow ECOWAS countries to determine which sectors they want to include in their EPA; ECOWAS must also be given the right to determine how and when they liberalise each sector;
5. Investment, competition policy and public procurement must be removed immediately from the negotiations and only included as and when ECOWAS specifically asks for them to be included;
6. EPAs must include provisions for special and differential treatment to allow preferential access to EU markets for ECOWAS producers and to allow ECOWAS countries to use protective measures, particularly to protect producers and industries in key sensitive sectors that are crucial to the region's development, poverty reduction and food security. Furthermore, WTO members must demand that special and differential treatment be included in regional trade agreements by reforming Article XXIV of the General Agreement on Tariffs and Trade<sup>88</sup>;

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<sup>88</sup> Sharman, T. (2005) *The trade escape*. ActionAid International, London.

7. Considering the demands the EU is making of ECOWAS countries, the EU must now address the issue of its CAP and determine to reduce the negative impacts it has on ECOWAS country producers through revision of its subsidy systems. Further to this point, the EU must use its powerful position within the IMF and World Bank to encourage these institutions to remove the conditionalities attached to development aid that disallow developing country governments from subsidising their producers. To make the trade playing field fair, and to improve food security in developing countries, governments must be allowed to subsidise their farmers – more especially their food security crop farmers – so they can improve food security amongst their own people and also improve their ability to compete with EU producers in both ECOWAS and EU markets;
8. As required by the Cotonou Agreements, pro-development and poverty reduction must be central to the EPAs, particularly in terms of sustainable livelihoods, poverty reduction and human development;
9. The EU must fulfil its commitment to providing alternatives to EPAs for those countries not wanting to enter into such an agreement and to provide these alternatives immediately, and not to wait until governments decide they do not want to be part of an EPA;
10. The EU must commit additional funds, besides those in the EDF, for ECOWAS to invest in improving production and supply capacities to strengthen its competitiveness prior to liberalisation; and
11. Independent social and environmental impact assessments must be conducted with the participation of people likely to be affected by EPAs.