

## The Negotiations of an ECOWAS–EU EPA: Key Features

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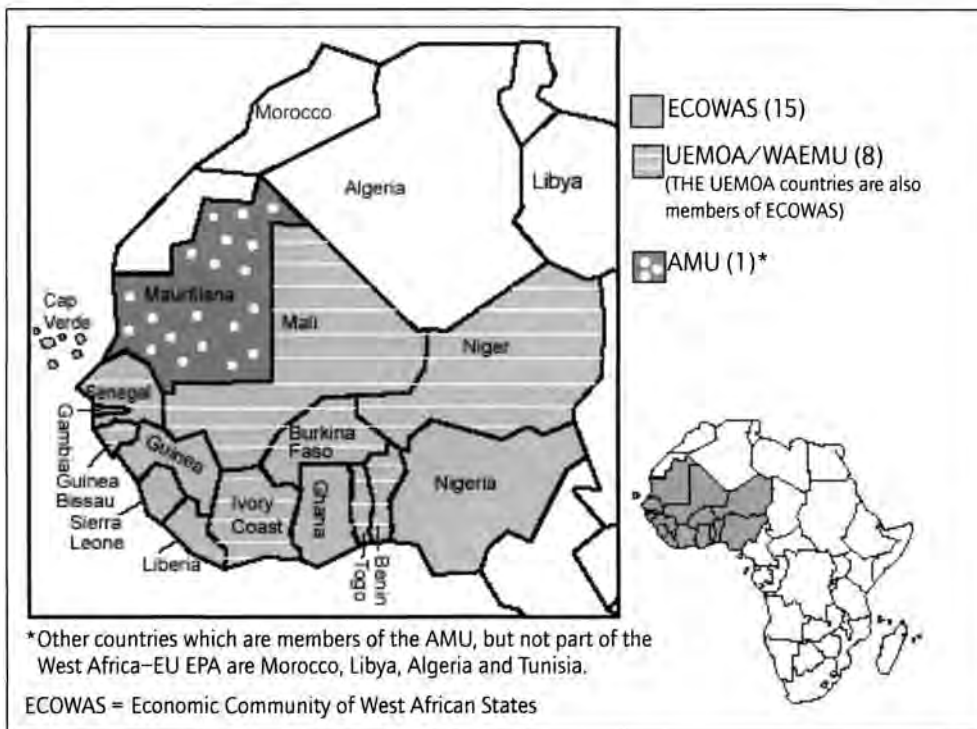
### Introduction

West Africa, with a population of 242 million people (including 130 million in Nigeria alone), covers 16 countries (see Figure 1) with diverse political and economic characteristics. A common concern is the high level of poverty across the region. All West African countries but three (Nigeria, Ghana and Ivory Coast) are classified as least-developed countries (LDCs); the average regional GDP per capita was only US\$326 in 2004; all basic social indicators are below Sub-Saharan average; and all countries (except Ghana) are classified by the United Nation Development Program (UNDP) as having Low

Human Development. Average annual economic growth for the region amounts to about 3% since 1994, remembering that Nigeria accounts for more than half of the regional economy (with a GDP of \$41,373 million in 2001). As for the political situation, it ranges from open conflicts and instability close to civil war to consolidated democracies, depending on the country.

Most of the West African economies are not very (or not at all) diversified, with activities concentrated on primary products: agriculture and rearing in all countries, fisheries in coastal countries (especially Mauritania and Senegal), mining in Mali and Mauritania, while petrol dominates the

**Figure 1. West Africa–EU EPA: Regional membership**



Nigerian economy. The share of manufacturing industry remains low. These features make the region very vulnerable to and dependent on exogenous factors and external shocks such as prices fluctuations, climate hazards and partners' trade patterns and policies.

Despite regional integration initiatives, official trade flows among West African countries remain low (at around 13% of total regional trade in 2001, compared to 11% in 1996). The reasons lie partly in the lack of complementarity among West African economic structures, the persistent presence of tariff and non-tariff barriers (NTBs), and the inadequate level of infrastructures in the region. These data do not, however, take into account informal trans-border trade, which plays a prominent role in the region.

As for external trade, official statistics show a positive trend in West African exports since 1996, reaching a total of €32,056 million in 2003. The EU is still the main trading partner of West African countries (see Box 1 for data). It is however relevant to underline the growing importance of the US as well as other countries such as India and Brazil (important importers) or China and South Korea (significant exporters) towards the region. Agricultural products account for a significant share of total West African trade with the EU, despite the overwhelming share of Nigerian petrol in regional exports.<sup>1</sup> Despite efforts to foster its integration into the world economy, the region has not been able so far to really benefit from the global trade liberalisa-

tion trend. The participation of West Africa in world trade declined sharply over the past 30 years and is presently insignificant. In 2004 its share in EU trade (its major trade partner) amounted to a mere 1.25% of total EU exports and 1.03% of total EU imports.

## West African regional integration process

West Africa comprises two key regional integration organisations: the Economic Community of West African States (ECOWAS), which regroups all countries of the region, and the West African Economic and Monetary Union (WAEMU/UEMOA), which covers a subset of (francophone) countries with a deeper integration process (see Figure 1).

ECOWAS was established in 1975 by the Treaty of Lagos with the global objective of creating an economic and monetary union. In view of the lack of progress in terms of implementation, the Treaty was revised in 1993 in order to reinforce the integration process. This led to the setting up of new organisations for monitoring and referring (a Court of Justice and a Parliament) and to the creation of new financial mechanisms based on an automatic deduction on imports. Currently, ECOWAS priorities are the strengthening of its institutions, regional trade liberalisation and the setting up of a Customs Union (CU), as well as the harmonisation of economic and financial policies with the aim of creating a Monetary Union.<sup>2</sup> Besides these regional integration priorities, ECOWAS also plays an active role by devel-

### Box 1. ECOWAS (+Mauritania) trade in goods with the EU (2004)

Exports to the EU: € 10.534 million (growth 2003-04: -15.1%)

Imports from the EU: € 12.087 million (growth 2003-04: -1.3%)

Trade balance: € -1.553 million

Share of agriculture in EU-ECOWAS (+ Mauritania) trade:

*Exports to the EU: 31%*

*Imports from the EU: 16%*

Participation in EU trade:

*EU exports: 1.25%*

*EU imports: 1.03%*

Main trade partners (2003):

*Exports: EU (32%), US (27%), India (8%), Brazil (5%), other (28%)*

*Imports: EU (37%), US (8%), China (7%), South Korea (6%), other (42%)*

Source: Comext 2004 EU declarations and IMF 2003 data in Comext

oping sectoral programmes in areas such as infrastructure or the development of the private sector. In January 2005 the ECOWAS Common Agricultural Policy (ECOWAP) was adopted with the aims of ensuring sustainable food security and a decent remuneration for the farmers in the region and to increase inter-regional and international agricultural trade.

Although ECOWAS has officially been a Free Trade Area (FTA) since 1 January, 2000, it is still not fully effective in practice. Tariffs and NTBs, as well as inadequate infrastructures and cumbersome administrative processes, continue to restrain regional trade, which remains low. Similarly, the circulation of people and capital flows in the region is still limited in practice. The ECOWAS heads of state and government agreed in December 2000 to move towards the establishment of a four-band Common External Tariff (CET), in line with the one prevailing in UEMOA. The seven non-UEMOA countries are currently preparing for the harmonisation of their trade policy regime and the accompanying necessary reforms. Some specific provisions should be adopted to protect the agricultural sector, in line with the political orientations of the ECOWAP. A transitional period of three years from January 2005 has been foreseen before the ECOWAS CU comes into effect fully (by the end of 2007). Yet, several non-UEMOA countries have already started to partly apply the new ECOWAS CET.

The other key regional organisation is UEMOA. Officially established in 1994 in the context of the devaluation of the CFA franc, its origin dates back to 1962 with the creation of the West African Monetary Union, which became in 1973 the West African Economic Community. Covering the seven French-speaking African countries from the ex-CFA zone (Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal, Togo) and Guinea Bissau, it is so far the deepest and the most solid regional integration process in West Africa in terms of institutions, decision processes, policies implementation and financial resources.

Although UEMOA has been a Customs Union since January 2000, certain aspects of its common external trade policy and internal free trade still need to be consolidated. Being a completed Mone-

tary Union, UEMOA is now moving towards a Common Market, with harmonized laws and regulations affecting trade and indirect taxation as well as free movement of goods, services, persons and capital. Currently, the UEMOA internal agenda is specifically centred on: the consolidation of its CU; the improvement, convergence and monitoring of national macroeconomic policies; and the elaboration and implementation of sectoral policies. Regarding external trade, it has to be noted that the UEMOA Commission has an exclusive competence to negotiate bilateral trade agreements on behalf of its member states.

One of the most crucial challenges for the regional economic integration process in West Africa is the harmonization and convergence of these two regional integration initiatives under the umbrella of ECOWAS, notably concerning: the establishment of an harmonised CET, rules and certificates of origin procedures, tariff preferences, approval procedures, compensation mechanisms for loss of tariff revenues and macro-economic policies.<sup>3</sup>

### **International trade negotiations**

In addition to their own regional economic integration processes, West African countries are also involved in external trade negotiations. As members of the World Trade Organization (WTO) (except for Liberia and Cape Verde<sup>4</sup>), they participate in the current multilateral negotiations in the context of the Doha Development Round. They are also members of the African, Caribbean and Pacific (ACP) Group, signatory of the Cotonou Partnership Agreement which foresees the negotiation of an Economic Partnership Agreement (EPA) with the EU by the end of 2007. These three processes are meant to be convergent and complementary with the aim of fostering the progressive and harmonious integration of the West African region into the world economy.

### **EPA negotiations**

In previous ACP-EU co-operation agreements, all ACP countries enjoyed non-reciprocal tariff preferences for their exports to the EU market. Under the Cotonou Agreement, this should change from 2008

onward, when reciprocal free trade arrangements negotiated at regional level between the EC and the six ACP regions should replace the previous preferential trade regime. These new economic partnership agreements shall be compatible with the rules of the WTO, development oriented, and built upon ACP regional integration initiatives. This new trade regime shall also incorporate and improve the Lomé/Cotonou *acquis* regarding the access to the EU market for the ACP countries. For the purpose of this EPA, Mauritania, which left ECOWAS in 2001, negotiates together with ECOWAS to set a West African–EU EPA.

### ***West Africa–EU EPA negotiation principles***

Based on the principle of reciprocity, the EPA shall entail an FTA between the 16 West African countries and the EU, which fully complies with WTO rules. The negotiations shall be guided by the following principles and objectives.<sup>5</sup>

Above all, the West Africa–EU negotiations for an EPA shall accord priority to the promotion of sustainable economic development and poverty reduction in the region, in line with the Cotonou Agreement's goals and principles. In addition, the EPA shall be complementary and mutually supportive of the national development strategies of the West African region. The development dimension of the EPA process shall be ensured through the implementation of competitiveness-enhancement and upgrading programmes meant to improve the business environment and to offer appropriate direct support to the enterprises in the region. These programmes should help West African countries to maximise the potential dynamic benefits generated by the EPA and to help them to adjust their economies to the liberalisation process. In terms of financial assistance, both parties agreed that all the instruments and procedures available under the Cotonou Agreement shall be utilised, and complementary funding obtained, amongst other sources, from co-financing with the EU member states and other donors.

The EPA shall also promote the deepening of the regional integration process in West Africa, on the basis of the priorities determined by the region.

It concerns particularly the effective establishment of the West African FTA, as well as the gradual completion of the CU through the extension of the UEMOA CET to the entire community. Co-operation and support measures are also foreseen in trade-related areas such as trade facilitation, quality standardisation and control, sanitary and phytosanitary (SPS) measures, border protection, investment, competition, and intellectual property with the aim of harmonising and improving regional policies and procedures and reinforcing the institutional setting. The degree of regional integration within the West African region shall determine the pace as well as the asymmetry and flexibility of bilateral trade liberalisation with the EU.

### ***Phasing of the negotiations***

Following the first phase of EPA negotiations at 'All ACP' level (which started in September 2002), regional EPA negotiations between West Africa (ECOWAS + Mauritania) and the EU were officially launched in Cotonou (Benin) on 3 October, 2003, making them the first ACP region (with Central Africa) to formally engage in the negotiations with the EC. It took, however, almost a year for both parties to agree on a road map to guide the negotiations. Among major contentious points figured the issue of financial assistance and the appropriate integration of the development dimension within the EPA. The Joint Road Map finally agreed in Accra (Ghana) in August 2004 sets the main goals and principles of the negotiations and identifies key areas for economic regional integration and capacity-building programmes. It also indicates the structure of the negotiations and an indicative schedule, organised around three phases:

**First phase:** Identification of economic and trade regional integration priorities and establishment of an EPA Reference Framework in these areas; and formulation and implementation of a programme to enhance competitiveness and of an upgrading programme (from September 2004 to September 2005).

**Second phase:** Definition of an overall EPA architecture and proposal of a draft agreement on all trade-related issues (from September 2005 to September 2006).

**Third phase:** Negotiations on trade liberalisation for goods and services; conclusion of the EPA (from September 2006 to December 2007).

This phasing recognises that the enhancement of the regional integration process and the improvement of competitiveness and supply capacity in West Africa are key issues regarding the EPA process, although they do not constitute *per se* a prerequisite for starting bilateral trade negotiations.

### **Negotiation structure**

The negotiations of the West Africa–EC EPA are conducted, on the side of the West African region, by the Regional Negotiating Committee (RNC) and, on the side of the European Community, by the European Commission (EC). These negotiations take place at three levels, namely: the chief negotiators, the senior officials and the technical experts.

At chief negotiators' level, the RNC delegation is led by the ECOWAS executive secretary and assisted by the president of the UEMOA Commission. In addition, each member state may designate up to three experts as part of the delegation. At senior official's level, the RNC delegation is led by the ECOWAS deputy executive secretary for policy harmonization and assisted by the UEMOA commissioner for tax, customs and trade policy. At technical level, the RNC delegation comprises notably the directors of trade of the ECOWAS Executive Secretariat and the UEMOA Commission. At the first joint senior official's level meeting that was held in Brussels in February 2005, both parties agreed to establish four joint technical negotiating groups: customs union and trade facilitation; technical barriers to trade and sanitary and phytosanitary measures; services and investment; and trade-related issues. A fifth group, whose precise mandate must be further discussed, should in principle entail the analysis of productive sectors.

In addition to the formal negotiating structure, a joint contact group has been set up to provide secretarial services and co-ordinate support to the negotiations. Moreover, a joint Regional Preparatory Task Force (RPTF) has been created to facilitate the links and coherence between the EPA negotiations and co-operation for development funding.

Nonetheless, the question of the inclusion of chapters on resources mobilisation to improve competitiveness and address supply-side constraints in the formal EPA negotiations process remains a major contentious issue, the EC remaining adamant that the EPA negotiating framework should be focused on trade aspects alone while capacity-building support should be dealt with by the other Cotonou instruments in the context of the RPTF.

Also note that the participatory approach agreed on for the conduct of the negotiations provides for a key role to non-state actors (NSAs) who shall be involved at every stage of the negotiations to ensure that their concerns are properly taken into account.

### **Key issues and challenges**

**The regional integration process.** In spite of recent renewed efforts, the West African economic regional integration agenda remains far from being completed. Key obstacles and challenges include political instability, conflicts and governance issues, a 'colonial' division (among English- and French-speaking countries), the coexistence of parallel regional groupings (ECOWAS and UEMOA) with different levels of coherence and development to be harmonised, insufficient human and financial resources, and limited institutional capacity at regional as well as national level. Besides, Mauritania, while participating in the West Africa–EC EPA negotiations, has not been a member of ECOWAS since January 2001, which could further complicate the regional coherence of the EPA.

**Supply-side constraints.** A key priority for West African countries is the development dimension of the EPA. However, there is ample evidence that market access alone rarely leads to economic diversification and development, as experienced by most ACP countries under the Lomé non-reciprocal and preferential trade regime. Adequate institutional and policy reforms as well as timely capacity-building initiatives to improve the business environment and to enhance competitiveness and supply capacity will therefore be most needed if West African economies are to effectively benefit from trade liberalisation with the EU and to attract more investment in the region. Potential areas for domes-

tic reforms and support measures should encompass macroeconomic policies, infrastructural services, and enterprises upgrading as well as information and communication technology, transport, and human resources development. Additional measures should include technical assistance and training to develop trade-negotiating skills and analytical capacity to stimulate West Africa's ownership of the EPA negotiations process.

**Adjusting to reciprocity – Market access and behind-the-border measures.** Several adjustment costs will be associated with the opening of West African markets to EU products. First, tariff liberalisation will lead to a significant decline in government revenues in many countries and therefore to potentially severe cuts in public expenditures, notably for social sectors like health or education. Indeed, the majority of ECOWAS countries are indeed highly dependent on customs duties for their incomes, averaging 14.7% of government revenue and 2.5% of GDP. This is particularly relevant for smaller countries like Cape Verde, Sierra Leone or Gambia that are highly import-dependent and already under pressure as a result of the implementation of the ECOWAS CET. Sound domestic fiscal reforms will be required, as well as various compensation measures and mechanisms to offset tax income losses in the short term and facilitate adjustments.

Secondly, market opening, by increasing competition, might adversely affect some West African domestic industries. Hence the importance for the region of identifying key sensitive sectors and negotiating sound liberalisation schemes. On the other hand, adjustments and accompanying measures may be necessary to facilitate trade liberalisation, address supply-side constraints, and mitigate potentially negative effects on poverty.

At last, for West African countries to effectively benefit from EU market opening, it will be crucial to look beyond tariff concerns and also to address NTBs and regulatory issues. This includes the need to enhance West African exporters' capacity to comply with EU rules of origin (ROO), technical barriers to trade (TBT), standards and SPS requirements.

**Key sectors.** Agriculture (including agro-industry) is the centrepiece of the West African economy,

employing nearly 70% of the working population and generating 30 to 40% of GDP. It is the most important employer in the region and plays a vital role in generating cash income, ensuring food security, and alleviating poverty, particularly in rural zones, which tend to be the poorest and most vulnerable areas. In addition, processed as well as traditional agricultural products (such as cocoa, cotton and out-of-season fruits and vegetables) account for a significant part of ECOWAS' trade flows with the EU and represent one of the main sources of export earnings. The West African agriculture sector is globally characterised by a dominance of the informal sector, low skills and the pre-eminence of traditional technology, low productivity, and concentration of exports in a small range of primary products with declining and volatile prices and serious difficulties in transforming from agrarian or primary production to industrial economies. Given these features and the socio-economic importance of agriculture for the region, EPA negotiations shall give due consideration to the potential effects of trade liberalisation, taking into account regional integration initiatives and the outcome of the Doha round as well as the impact of the EU Common Agricultural Policy (CAP).

**Fisheries and marine resources** play a vital role in most coastal countries (particularly in Senegal and Mauritania) in terms of export earnings and employment. That sector shall be the subject of a specific approach within the EPA negotiations process, tackling key trade issues such as tariffs, SPS compliance and ROO while also taking into account food security and environmental concerns.

Among other key sectors figure **petroleum** (essentially in Nigeria), **mining products** (particularly in Mali, Mauritania and Niger) and **services** such as tourism and related activities, transport, and communication (in almost all West African countries but especially in Cape Verde) which shall also be specifically considered in the context of EPA negotiations. An EPA should particularly emphasise liberalisation of EU market access in service sectors and modes of supply of export interest to the West African countries (mainly tourism-related activities and Mode 4), while commitments by the West

African states should come in sectors where trade opening would improve efficiency and competitiveness.

## Endnotes

1. In 2004, the top two exports of the West African region to the EU were fuels and cocoa, accounting respectively for 45% and 21% of total exports to the EU.
2. The ECOWAS countries that are not members of UEMOA (except for Cape Verde and Liberia) have decided to create a second monetary zone which should merge with the UEMOA to form a single monetary union at ECOWAS level, with a single currency called ECO.
3. Regarding macroeconomic policies, a multilateral monitoring mechanism has been created for the whole ECOWAS region on the basis of the UEMOA *acquis*.
4. Cape Verde only has observer status.
5. See in particular the Cotonou Partnership Agreement, the Joint Report adopted at the 2nd ACP–EU Joint Ministerial Meeting on EPAs (2 October, 2003) and the West African region–EC joint Road Map agreed in Accra in August 2004.

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Many other documents on West African regional integration process and EPA negotiations are also available on [www.ACP-EU-trade.org](http://www.ACP-EU-trade.org) and [www.hubrural.org](http://www.hubrural.org)  
[www.uemoa.int](http://www.uemoa.int)  
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