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The West Africa-EU Economic Partnership Agreement is absurd

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Genesis of the EPAs

After the independence of sub-Saharan Africa's (SSA) countries, of which of the 16 West African (WA) States – the 15 of the Economic Community of West African States (ECOWAS), and Mauritania – all former colonies (except Liberia), the EU has maintained the non-reciprocal trade preferences allowing them to export duty free to the EU 97% of their agricultural products and 100% of their industrial products while being able to tax their imports from the EU, in the context of broader cooperation agreements, called Lomé Conventions from 1975 to 2000. But the 9 Latin American (LA) exporters of bananas to the EU – 3 Andean countries (Colombia, Ecuador, Peru) and 6 Central America countries (Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua and Panama) – have sued the EU at the GATT first in 1993 and then at the WTO from its creation in 1995, when the EU was sentenced three times. The reason: these developing countries (DCs) had to pay import duties (ID) to the EU which was importing duty free the bananas of ACP countries (Africa, Caribbean and Pacific), which was contrary to the WTO principle of non-discrimination. According to this principle, if developed countries may grant non-reciprocal trade preferences to DCs, they cannot discriminate them on a geographical basis but only on a development level basis. Hence the implementation of the EU bilateral "Generalised System of Preferences" (GSP) since 1971 for DCs – in which they benefit from lower ID of about 30% compared to the normal ID of the so-called "most favoured nation" (MFN) applied to developed countries – and duty free-quota free (DFQF) applied to the "least developed countries" (LDCs) since the EU Decision "Everything But Arms " (EBA) of 2001.

The EU obtained a WTO waiver to extend the non-reciprocal preferences to ACP countries from 1995 to 2001, which led it to turn the Lomé Convention into the Cotonou Agreement on 23 June 2000, whose economic components provided for the establishment of 7 regional Economic Partnership Agreements (EPAs), of which 5 in sub-Saharan Africa (SSA). They are Free Trade Agreements (FTAs) in which the ACP countries could no longer tax 80% of their imports from the EU which itself would open its market to 100% of its imports from countries that signed an EPA, which was already almost realized. As EPAs could not be implemented immediately, the EU obtained a second waiver provided that they would take effect in January 2008.

A first remark is that the EU has done nothing to get from the WTO the right to maintain non-reciprocal preferences with the ACP countries due to the differences in development levels between them, of which WA, and those of LA. Indeed in 1995 the average per capita GDP of $1,294 of the 9 LA countries exporting bananas was 2.3 times the average of Ivory Coast and Ghana ($560), the two only exporters of WA bananas to the EU. And the gap has grown to 4.3 times in 2014 ($6,321 against $1,454). Furthermore the banana war was buried at the WTO in December 2009 when the EU agreed to lower the ID payable by these countries, and the ID was further lowered after the signing of FTAs at the end of 2012 with the 2 Andean countries on the one hand (an FTA that Ecuador joined in 2014) and the 6 Central American countries on the other hand. All these LA countries agreed in return that the EU could continue importing duty free the ACP bananas. It would therefore be possible to obtain a WTO waiver allowing the EU to give again non-reciprocal preferences to ACPs. All the more as they are facing four specific challenges: a population explosion, a growing food deficit (excluding cocoa which is not a staple food), a dramatic climate change and an heavy dependence on exports of oil and other minerals whose prices have collapsed recently.

But the EU does not wish to renew the non-reciprocal trade agreements as it has been pursuing since the 1980s a strategy of market access to third countries, particularly DCs, while ensuring at the same time its supply of raw materials at world prices, including through "structural adjustment policies" imposed on indebted DCs by the World Bank and IMF where developed countries hold a majority stake, hence of votes. This strategy was reinforced in the document "Global Europe" of 6 October 2006 of the Trade Commissioner Peter Mandelson and confirmed in the document "Trade for All" of June 2015 of the Commissioner Cecilia Malmström. For Peter Mandelson, "*If our economic strength is built on trade, then our prosperity is directly linked to the openness of the markets we try to sell to… Alongside our commitment to the WTO we have, through bilateral negotiations, sought to remove trade barriers behind borders… Building on the WTO, our aim will be to go beyond what can be achieved at the global level by seeking deeper reductions in tariffs; by tackling non-tariff barriers to trade; and by covering issues which are not yet ready for multilateral discussion, such as rules for competition or investment*"[1]. Cecilia Malmström confirms: "*In view of the EU's dependence on imported resources, access to energy and raw materials is critical for the EU's competitiveness*. *Trade agreements can improve access by setting rules on non-discrimination and transit: by tackling local content requirements; by encouraging energy efficiency and trade in renewables; and by ensuring state owned enterprises compete with other companies on a level playing field according to market principles*"[2].

It is in that context that the European Commission justifies the EPAs by a *reductio ad absurdum* argument: since the preferential trade agreements of the Lomé Convention did not prevent the ACPs from getting poorer, then administering the sovereign remedy of exposing them to a full-fledged free trade with their main partner will necessarily trigger a salutary reaction which will increase drastically their competitiveness: "*Past ACP-EC trade cooperation, which has primarily been built on non-reciprocal trade preferences, has not delivered the results expected. Although it has granted duty free access for nearly all products, it has not prevented the increasing marginalisation of the ACP in world trade… Therefore, a more comprehensive approach is needed… Economic Partnership Agreements are an instrument to achieve these objectives…by removing progressively all barriers to trade between the EU and the ACP EPA groupings and enhancing co-operation in all areas relevant to trade*"[3]. This is a way of thinking as absurd as that consisting for a poultry producer to open the henhouse gate to allow the fox to test the poultry resistance capacity. In this case the 16 WA "chickens" had in 2014 an average per capita GDP 17.7 times lower than that of the EU "fox": €1,547 against €27,335.

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[1] Peter Mandelson, *Global Europe: competing in the World*, European Commission, 4 October 2006, http://ec.europa.eu/commission_barroso/mandelson/speeches_articles/sppm117_en.htm

[2] Cecilai Malmström, *Trade for all. Towards a more responsible trade and investment policy*, June 2015, http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf

[3] European Commission, *Regional integration and Trade*
http://www.europe-cares.org/africa/partnership_next_en.html

We must say that the major European corporations, particularly French, have been maneuvering to persuade the WA Heads of State they had everything to gain from the EPA. Among them you find Robert Fabre, President of Compagnie Fruitière, which produces the bulk of bananas and pineapples of Ivory Coast, Ghana and Cameroon and exports them on his vessels, as well as cherry tomatoes in Senegal. Then you have the Mimran Group, owner of the Great Mills of Abidjan and Dakar, who suceeded in eliminating at the beginning of the liberalization process, in year T+5 (2020), the already very low import duty of 5% ad valorem of the ECOWAS Common External Tariff (CET) on cereals (except rice). You find also the Bolloré group, which manages most of the Gulf of Guinea port facilities and is involved in the export of 65% of Ivory Coast's cocoa.

Evolution of the EU-West Africa's EPA negotiations

The 16 WA countries, of which the 15 of ECOWAS – of which 11 LDCs (Benin, Burkina Faso, The Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Senegal, Sierra Leone, Togo) which would benefit of the EU EBA DFQF tariff regime if the EPA is not implemented , 3 DCs (Ivory Coast, Ghana and Nigeria) which would have to pay the GSP duties if the EPA is not implemented and Cape Verde which benefits from the EU GSP+ tariff regime conferring trade preferences comparable to those of LDCs – and Mauritania, which is also a LDC, began negotiating the EPA in October 2003 with the European Commission. The WAEMU – West Africa Economic and Monetary Union, UEMOA in French, a subset of ECOWAS which groups together 7 Francophone countries (Benin, Burkina, Ivory Coast, Mali, Niger, Senegal, Togo) plus Guinea Bissau that share the CFA franc pegged to the euro (1 euro equals 655.957 CFA F) – is also involved in the EPA negotiations.

But while the ACP countries negotiated the implementation of the Lomé Conventions with the Directorate General (DG) for Development and Cooperation, the EPAs were negotiated with the DG Trade, which augured ill for the priority to give to WA development needs.

Soon the AO States have expressed reservations about the EPA, supported by the mobilization of civil societies, and President Wade of Senegal even participated on January 7, 2008 in Dakar in a protest march against the EPA, after writing in Le Monde of 15 November 2007: "*The new economic partnership agreements claim to dismantle tariff barriers and establish a perfect equality of competition between totally unbalanced European and African economies… It amounts to hand out totally African markets to subsidized European products. Not only African industry lacks the capacity and structures that allow it to respond even to a strong European demand, but this new tariff disarming device imposed by free trade would lead immediately to huge losses of customs revenues for our country. Yet customs revenues constitute 35% to 70% of the African States' budgets*". That was not the attitude of his successor Macky Sall, honoured to have been elected by his peers to coordinate the EPA negotiations with the EU.

The WA Heads of State confirmed on 10 July 2014 in Accra the initialling of the regional EPA appended by their chief negotiators on 30 June in Ouagadougou and the EU Council of Foreign Ministers authorized the signature on December 12, 2014, subject to its conclusion which implies that all WA States sign the EPA. The European Parliament held several debates on the progress of the EPA, the prevailing opinion being that it does not see how it could oppose an EPA that the majority of African Heads of States wish to sign. In early May 2016 the Gambia and Nigeria have not yet signed, and the Nigerian President Muhammadu Buhari told the plenary of the European Parliament on 3 February that Nigeria could not sign the

EPA in its present state because its threatens the industrialization of his country[4]. If signed all WA and EU States would have to ratify it – because it is a "mixed" agreement given its component "development" beside the trade component – but the ratification would not stop its "provisional" implementation as seen for the EU-Cariforum EPA which has been implemented for over five years although all States have not ratified it to date.

However increasingly strong pressures are being exerted on Nigeria, both by the European institutions, the EU corporate lobbies and Ivory Coast and Ghana. These two countries, fearful of having to pay the EU GSP import duties (ID) on their exports of cocoa, bananas, pineapple and canned tuna, had indeed concluded with the EU in late 2007 and early 2008, two bilateral "interim" EPAs which extended their non-reciprocal preferences. They fear now the threat from the European Commission that their interim EPAs would no longer be recognized from 1 October 2016 if the regional EPA is not signed by the 16 WA States. In case of final refusal of Nigeria to sign – it represents 51.6% of the WA population and 78.3% of its GDP in 2014 – the regional EPA would be definitely buried but the Commission could accept to prolong both interim EPAs, which would shatter regional integration supposed to be the main objective of the regional EPA. Indeed the other 14 States would have to levy ID on their imports from these two countries to avoid being flooded by the EU products imported duty free in these two countries and the Common External Tariff (CET) in force since January 2015 would disappear.

Content of the EU-West Africa EPA

According to DG Trade, which has just published in March 2016 its own impact study[5], the WA EPA aims to promote economic growth, full employment, poverty eradication, regional integration and the increased integration of WA in world trade. In fact WA is already among the most integrated region in world trade, about twice more than the EU, when comparing the ratios (imports + exports)/GDP, and, besides, the latter two objectives are contradictory. This was what Mamadou Cissokho, the Honorary President of ROPPA (Network of WA Peasant Organizations and Agricultural Producers), told the WTO Public Forum on October 2, 2014: "*All countries which developed themselves began by creating the conditions to do it through import protection and only after they open to others. We cannot expect today that Africa be the first example showing that it is by first opening its market that it will develop*"[6].

DG Trade has financed since 2003 many impact studies of the EPA to better justify it to the EU and WA governments and civil societies. It has financed since 2008 4 studies entrusted to recognized consultants but finally refused to publish them because their findings were not consistent with its expectations. Fortunately these studies have been leaked but we still cannot download them. Finally DG Trade conducted an assessment with its own personnel in March 2016, while asking IFPRI (a US consulting firm specialized in assessing FTAs) to complete the necessary general equilibrium modeling without which no scientifically credible assessment seems acceptable to it. Indeed why to make things simple and transparent when you may make them complicated and opaque ? The paradox of the matter is that these IFPRI modelers had participated in 3 of the leaked studies but drafted conclusions this time

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4 http://www.nta.ng/2016/02/03/president-buhari-assures-eu-of-nigerias-commitment-to-protection-of-human-rights-calls-for-mutually-beneficial-economic-relations-with-europe

5 *The economic impact of the West Africa-EU Economic Partnership Agreement. An analysis prepared by the European Commission's Directorate-General for Trade*, March 2016, http://trade.ec.europa.eu/doclib/docs/2016/april/tradoc_154422.pdf

6 One might hear this plenary session on Africa: https://www.wto.org/audio/pf14_plenary021014.mp3

responding to DG Trade's expectations. But this latest study is full of misrepresentations that we will analyse briefly[7].

DG Trade claims that, unlike other FTAs it has already concluded or is still negotiating, the WA EPA is unbalanced in favour of WA at the four levels of market access, development aid, safeguards and rules of origin.

✓ Market access: WA opens 75% of its imports from the EU which opens 100% of its imports from WA. In reality, the 75% opening of WA correspond to the tariff lines which accounted for 82% of the value of WA imports from the EU in 2012 according to the South Centre of Geneva.

✓ Development aid: the €6.5 billion (bn) of EPADP (EPA Developement Aid, more known under the French PAPED) over 5 years would allow WA to strengthen its competitiveness despite the increased opening of its market to EU exports. In fact PAPED does not contain a single additional euro beyond the EU traditional cooperation aid: it is only a new packaging as highlighted in the brochure of 3 July 2015 of the Directorate General Cooperation (DEVCO) of the European Commission[8]. Furthermore the Article 60 of the EPA states that the EU will also provide support to fill the loss of fiscal revenues related to lower import duties (ID). This pledge commits only those who want to believe it, especially since there is no guarantee that the Cotonou Agreement, which expires in 2020 and which was the context of aid management to ACP countries, will be renewed or that the EU will continue to provide financial supports in line with the WA population explosion: SSA population would be multiplied by 2.2 from 2015 to 2050 and that of WA by 2.3. Note that the €6.5 bn of EU aid over 5 years represent only 3.5 euros per inhabitant per year of WA, a few lollipops.

✓ Safeguards, especially for food security: in fact the safeguard provided by the EPA is lower than the "Special Safeguard" for agriculture (SSA) enjoyed by the EU at the WTO – which can be triggered either by higher imported volumes or by falling import prices – as it is only triggered by larger import volumes. However, in the current context of high volatility of prices and of the euro exchange rate – which is also that of the CFA franc in 8 WA States – a safeguard linked to prices is essential. For higher volumes under the EPA, additional duties cannot exceed "*the import duty applied to the most favored nation*", while for the SSA used by the EU the additional duty "*shall not exceed one third of the level of the ordinary customs duty in effect in the year in which the action is taken*". The EPA safeguard is also contradictory to the "complementary protection tax" (CPT) of ECOWAS, which applies to goods imported from third countries either when the volume imported of a product during a year is greater than or equal to 25% of the average imports of the last three years, or when the average CIF price of a product imported during a month falls below 80% of the average import price of the last three years. CPT could not therefore be applied to imports from other countries than the EU. The EPA safeguard is also well below the "special safeguard mechanism" (SSM) negotiated in the Doha Round. Moreover the EPA safeguard cannot exceed twice 4 years and any measure exceeding 1 year must be approved by the EU-WA Joint Committee.

As for the EPA provisions on food security the EU assertion that they are also unbalanced in favour of the AO is to be verified by taking into account the following facts:

[7] See SOL's comments inserted in the text of this study: *SOL's comments on the DG Trade report on the West Africa-EU EPA of March 2016*, http://www.solidarite.asso.fr/Papers-2016

[8] https://ec.europa.eu/europeaid/sites/devco/files/epa-brochure_en.pdf

- The EU ID on basic food products (cereals, sugar, dairy products and meat) are much higher than those of WA.

- The EPA prohibits WA to raise its applied tariffs (Article 9 on "standstill") product by product. Rather WA will phase them out over 82% of the value of imported products (not just agricultural) from the EU.

- The EU food products exported to WA are hugely subsidized. Certainly they are not subsidies to exporters that the EU is committed to eliminate in the EPA, but domestic subsidies (including "decoupled" from the level of prices or production) to exported products that have the same dumping effect. They accounted for €238 million (€M) in 2015 on about 3.6 million tonnes (Mt) of exported cereals, €72 M on dairy products and €162 M on meat (in 2014). But the EU has refused to deal with domestic subsidies in the EPAs, claiming that they can only be discussed at the WTO, where the EU refuses to question them on the pretext that they are essentially "decoupled". In fact these domestic subsidies were granted to offset the decline of EU farm prices in the Common agricultural policy (CAP) reforms of 1992, 1999, 2003 and 2005, thereby reducing the need for higher ID (they have an import substitution effect).

- Furthermore the Trade Commissioner Cecilia Malmström, her colleague responsible for the EPAs Sandra Gallina and ECOWAS Ambassador to the EU Yaya Sow have repeatedly said that the WA EPA has excluded from liberalization all food products, which is not true because the already minimal ID (5%) of two key food products, cereals (excluding rice) and milk powder, would fall to 0 at the beginning of liberalization in year 6. Total losses of ID on agricultural imports would reach €148 M in 2035, although this represents only 5.7% of total ID losses.

✓ Flexible rules of origin: DG Trade claims that the EPAs greatly improve the conditionalities on the rules of origin, even compared to those for LDCs, which themselves can only export to the EU "Everything But Arms" (EBA) if they comply with the rules of origin, without forgetting the EU sanitary and phytosanitary rules. Are considered "originating products" in the WA EPA the products obtained in WA and incorporating materials which have not been wholly obtained there, provided they have undergone sufficient working or processing in WA. Cumulation of origin: materials originating in the EU or in ACP countries that have signed an EPA and even in LDCs outside SSA are considered to originate in WA when incorporated into the products of a WA State. There are ceiling percentages for these non originate materials, which vary according to the goods (particularly for agricultural products and the textile-clothing sector), incorporated from other countries to retain the originating status. These rules are quite complex and vary depending on the product and the of country of origin of materials.

- Despite the EU's assertions about its rules of origin, those of the United States (US) are more favorable for duty free exports from SSA to the US under AGOA (African Growth and Opportunity Act) which has been renewed for 10 years on June 25, 2015. This particularly for apparel exports through the "third country fabric" clause that has allowed AGOA countries to export 7 times more clothes to the US than to the EU because they were able to import the fabrics of the cheaper Asian countries while the EU's rules of origin limit the cumulation of materials to EU countries, SSA or LDCs plus a 10% *de minimis* from any country. This explains the strong expansion of Madagascar in clothing exports until 2009[9] when it lost its AGOA eligibility following the coup that overthrew the President of the Republic, before being eligible again since June 2014, and clothing have again become the second biggest export in 2014. Similarly Kenya exported $380 M of clothing duty free to the US under AGOA in 2015[10], against only $4.4 M (€3.9 M) to the EU.

- However this "third country fabric" clause which allowed Madagascar and Kenya to strongly develop their clothing industries while creating many jobs, is double-edged. Because these industries were only subcontractors of multinationals outsourcing low-paid jobs in free trade zones exempted of all taxes and purely export-oriented, and this has led to the decline or stagnation of domestic cotton production as domestic processing into yarns and fabrics was no longer competitive with imported Asian fabrics. This insertion in the "global value chains" so much boasted by the WTO and the EU is clearly not the way to follow by WA which needs to find profitable and stable prices for its regional cotton through the development of the entire textile and clothing sector for the regional market, which can be done through adequate import protection. Including to get rid of the exploding imports of worn clothing, which quadrupled between 2005 and 2015 and have increased by 67% from 2014 to 2015, with 446,525 tonnes for €420 M, 62% of that amount coming from the EU.

- Let us add that the US House of Representatives denounced on April 16, 2015 that "*EU unfair practices that affect access to the European market in the signing of unbalanced trade agreements*" because, contrary to the EU, AGOA does not require trade reciprocity by SSA countries. ECOWAS has also concluded in August 2014 a Trade and Investment Framework Agreement with the US, whose embassies in WA are very active to encourage ECOWAS countries to better utilize AGOA.

The main impacts of the WA EPA

The DG Trade's report concludes that, based on simulations, despite a decline of 11.7% of the ID received, the GDP of WA countries will increase in year 20 (1935) between 0% to 0.5% compared to no EPA and the "welfare" will increase between 0.1% to 0.7% depending on the country. WA exports will increase by 1.5%, of which by 4.1% to the EU. Labor income will increase in all countries (and up 0.9% in Ivory Coast), as well as other factors (capital, land, other resources).

These conclusions are absolutely not credible for the following reasons:

✓ The simulations forget totally that the population of WA would leap by 64.4% from 2015 to 2035 (plus 227 M), while that of the EU should decrease slightly. And the oversight of the population growth is shared by all the impact studies below.

✓ The model used by IFPRI suffers huge biases:

- It takes only into account the data of 7 out of 16 countries, even though they represent 80% of WA population and 94% of WA GDP in 2014.

- These data are from the GTAP-9 model of 2011, which uses the Social Accounting Matrices based on input-output tables with old and disparate data across countries (from 1998 for Ivory Coast to 2006 for Nigeria and Togo). The number of product sectors differs across countries (from 29 in Nigeria to 41 in Ghana), especially agricultural sectors

[9] https://liveatlund.lu.se/intranets/LUSEM/NEK/mfs/MFS/193.pdf
[10] http://agoa.info/news/article/6098-kenya-bets-on-agoa-to-grow-apparel-exports.html

(from 6 in Ivory Coast and Nigeria to 12 in Burkina Faso and Ghana) and one cannot verify the source of the prices used. When we know that this type of model considers a single consumer-producer per country and assumes perfect competition, doubting its results is reasonable.

- All the more that the same IFPRI team has produced very different results in the three reports, funded by DG Trade which refused to circulate them but which were leaked, in April 2008, April 2012 and January 2006.

So we will evaluate the credibility of these results on the main points.

✓ <u>Losses of import duties (ID) and total fiscal revenue</u>

- The 2008 study by Fontagné-Laborde-Mitaritonna estimated that the loss of ID at the end of liberalization would be of 38% on total imports, of which of 82% on those from the EU, although it assumed inefficiency in collecting ID so that only 80% of due ID are collected (an assumption shared by all other studies below, which has the effect of minimizing the ID losses). And trade diversion to the EU will represent 32.5% of the reduction of ID losses.

- The ITAQA study of April 2008 by Decaluwe-Laborde-Maisonnave-Robichaud expects average losses of ID of 20% of which of 28% in Senegal and 37% in Burkina Faso and Mali, with a loss of $3.369 bn at the end of the liberalisation period. And the study estimates that GDP will decline relative to the baseline of maintaining the Cotonou preferential regime during the years of liberalization because lower budgets will reduce investment. ID losses are greatly minimized because based on a recovery rate from 38% in Togo to 88% in Burkina through 51% in Nigeria.

- The ITAQA study of April 2012 of the same team – which compares the EPA to a situation with GSP for DCs and DFQF for LDCs without opening WA borders to EU exports – expects a 8% loss of total budget revenues (not just ID) at the end of liberalization, of which of 14.8% in Nigeria.

- The IFPRI study from January 2016 by Bouet-Laborde-Traoré expects that ID losses will range from 7.5% in Benin to 25.8% in Burkina. But IFPRI expects that the EPADP of €6.5 bn for 5 years will be extended until 2035 and that the EU will contribute to the loss of ID or/and that the WA States will increase other taxes or reduce their expenses.

- According to the IMF study on the impact of the EPA for Senegal, quoted by DG Trade, the loss of budget revenues corresponds to 1.2% of GDP. But, as the ID (plus the VAT, value added tax, on imports) accounted for 7.34% of GDP (average 2005 to 2009) and that imports from the EU accounted for 44.5% of total imports in 2015, the ID accounted for 3.3% of GDP and, as Senegal will liberalize 86.1% of the value of its imports from the EU (according to the South Centre), the ID losses would represent 2.81% of GDP. Furthermore, this study assumes also that the EU will compensate the loss of revenue.

- The study of the World Bank in December 2014 on the impact of the EPA for Nigeria is fanciful as, assuming constant production, it nevertheless expects a growth of 3%

of budget revenues at the end of liberalization, which will easily absorb the expected 0.8% decline of ID.

- All these models do not account for the loss of customs revenue from export taxes which, for some countries like Ivory Coast and Guinea-Bissau, are greater than the import duties. Indeed the EPA prohibits to increase these taxes, which would be necessary to offset the losses of ID and to deal with the sharp rise in public expenditure related to the population explosion.

- Let us add a comment on the DG Trade's statement that the EPA would increase the "welfare" by 0.1% to 0.7% depending on the country. Obviously all models show that, in free trade, consumers, who represent 100% of the population, enjoy a "consumers' surplus" from lower prices larger than the addition of the losses of producers and the State in ID. This assertion is based on several errors, the first being that the lower prices of imported products are not fully passed on to final consumers, and the second forget that the income losses of the producers evicted from their regional market will be much marger by their multiplier effects, including on the States' domestic revenues. And IFPRI study of January 2016 states that "*The results concerning welfare are negative for Nigeria, Senegal, Benin, the Rest of ECOWAS region, and Togo and positive for Burkina Faso and Côte d'Ivoire*".

- Let us add the contradiction of DG Trade which nevertheless expects the decline of public services linked to the decline in ID but this may be offset by new taxes, including VAT, as the consumer price drops.

✓ <u>SOL's methodology</u>

Unlike these studies based on general equilibrium models with so many methodological limitations, SOL (formerly Solidarité) used a more realistic method although more demanding in working time. It has calculated the ID losses tariff line (LT) by LT for all chapters of the Harmonized System of trade on the basis of actual imports of WA countries from the EU in 2015, based on the WA tariff offer for the EPA per TL at 8 or 10 digits levels that would prevail at the end of the liberalization process in 2035. Given the lack of reliable data on WA countries imports, we took the Eurostat data on EU exports to WA, then we added the ID losses related to four factors:

- The difference between the FOB values of EU exports and the CIF values of WA imports, corresponding to transportation and insurance costs. This gap was estimated at a conservative 20% on average for WA. This gap is even more understated than the CET (Common External Tariff) is not actually in force and ID are sometimes accumulated for non-coastal countries while products have already been cleared in the coastal countries' ports.

- The trade diversion will foster more imports from the EU as those from third countries which would remain taxed. We have taken Fontagné's estimate of 32.5% above the direct loss of ID.

- The sharp increase of the population would induce much higher imports, especially as the EPA would reduce the competitiveness of WA enterprises. We assume an increased rate of imports from the EU to be of 2/3 of the population growth rates between the WA dismantling periods of ID: from T to T+5, from T+5 to T+10, from T+10 to T+15 and from T+15 to T+20, T being the year of the EPA signature. And we calculate population growth rates specific to Ivory Coast, Ghana, Nigeria, the 3 of them, WA and the 13 LDCs.

- The reduction of budget revenues from the VAT on imports since it is based on the CIF value plus the ID.

- Then we apply to the ID losses calculated for 2035 the distribution of the percentages of ID losses at the different stages of liberalization as calculated by the South Centre for 2012 for Ivory Coast, Ghana, Nigeria and all LDCs. This gives ID losses of €3.220 bn in 2035 for WA, of which €1.361 bn for the 13 LDCs (Cape Verde being assimilated to an LDC as its GSP+ status gives it very similar benefits as those of LDCs) and €1.857 bn for the three DCs, of which €237 M for Ivory Coast, €361 M for Ghana and €1.255 bn for Nigeria. Cumulatively since the year T+5 (2020) when WA market opening begins, the ID losses would reach €30 bn in 2035, of which €13.6 bn for the 13 LDCs and €17.6 bn for the 3 DCs, of which €2.1 bn for Ivry Coast, €3.5 bn for Ghana and €11.9 bn for Nigeria. The EPA is particularly unfair for LDCs which, without it, could continue to tax their imports from the EU.

✓ The EPA impact on WA exports

- DG Trade claims that, with the EPA, WA exports to the EU would increase by 4.5%, which is not credible given, on the one hand, the sharp rise in the WA population and, on the other hand, the WA loss of competitiveness due to cheaper imports from the EU but also to the fact that the EU's interest would be to buy from more competitive countries with which it has recently concluded FTAs (of which the Andean and Central American countries, and South Korea) or which could be finalized soon (TAFTA with the EU, CETA with Canada, others with Mercosur, India, etc.). This claim is even less credible for agricultural exports, firstly because the EU population will at best stagnate and is aging, thus will consume less food, and because WA will lose competitiveness not only on bananas and pineapples but also on cocoa, chocolate and canned tuna. These losses of competitiveness will be mainly with the Andean and Central America's countries, not only on bananas and pineapples but also on cocoa and chocolate. Indeed the EU has eliminated for these FTAs the *ad valorem* part of the ID on chocolate which is 17.65% for GSP countries whereas cocoa paste and cocoa butter are imported duty free since their ID are only *ad valorem*. Another competition will come from the US if the TTIP is finalized since the last tariff offers, recently leaked, show that the EU is ready to eliminate all ID on chocolate if the US does the same. As for canned tuna the Andean countries, particularly Ecuador, can export it duty free to the EU and South Korea benefits from an ID reduced to 4% instead of 20.50% for GSP countries and 24% for MFN countries. Let us add that the IPCC assessment of 2014 on climate change in WA states that the production of bananas, including plantains, may decline.

- The most distressing is that the DG Trade and IFPRI modellers assume that the fastest growing exports of WA to the EU would concern cereals (+10.2%), the other food products (+9.9%) and red meat (8.4%). Yet WA is facing a growing deficit in cereals: from 7.1 Mt in 2000 to 16.1 Mt in 2013 (of which from 3.9 Mt to 7.4 Mt in wheat), of which 2.7 Mt from the EU (plus 0.9 Mt of cereals included in exported processed cereals products). WA does not export any beef to the EU, which has exported 83,295 tonnes to WA in 2015 for €67.2 M. And WA has a growing deficit in all food products in general when excluding cocoa, fruits and canned tuna.

- Howeveer DG Trade expects an increase of 23.3% of EU exports to WA, which is hardly compatible with the decline of ID limited to 11.7% as it admits.

✓ <u>The GSP duties that exporters of Ivory Coast, Ghana and Nigeria would pay to the EU if the EPA is not finalized</u>.

- Ivory Coast and Ghana are the only WA countries to really want the EPA because they would lose otherwise the duty free access to the EU for their exports of bananas, pineapples, processed cocoa and canned tuna on which they would pay GSP duties. Nigeria is already paying GSP ID because it refused to sign an interim EPA, and it would not lose much because it exports a limited quantity of cocoa and most of its non-agricultural products enter duty free in the EU. But the DG Trade did not evaluate the GSP ID that these 3 DCs would have to pay and has not asked the other studies it has funded to do it, which allowed Ivory and Ghana to claim that these GSP duties would be a disaster from which they could never recover. The more so as ECOWAS was chaired by President Alassane Ouattara of Ivory Coast from February 2012 to March 2014, by the President Dramani Mahama of Ghana from March 2014 to May 2015 and by the President of Senegal Macky Sall, all three ardent promoters of the EPA.

- In reality these three DCs stand to lose everything if the EPA is signed because the GSP ID to pay to maintain their exports to the EU would be well below the ID losses on their imports from the EU and these GSP ID can be shared by all WA countries. Solidarity (now SOL) computed the GSP ID tariff line (TL) by TL on all chapters of the HS for 2015. These ID would have been €188.5 M (after €164 M in 2014 and €164.5 M in 2013), of which €113.1 M for Ivory Coast, €66.9 M for Ghana and €8.6 M for Nigeria. And 97.3% concern agricultural products and canned tuna, of which 99.9% for Ivory Coast, 97.9% for Ghana and 59% for Nigeria. They concern processed cocoa for €71.4 M, canned tuna for €60.8 M and tropical fruits for €40.6 M. The likely loss of competitiveness of these products on the EU market and the stagnation of EU needs will perpetuate at best the same level of exports and therefore of the GSP ID.

- Although the GSP ID should be paid as soon as the provisional implementation of the EPA is decided while the loss of ID would only begin in year T+5 (2020), the cumulative net losses on imports from the EU (net of GSP duties) would be €26.2 bn in year T+20 (2035) for WA, of which €13.6 bn for the 13 LDCs and €13.9 bn for the three DCs. Beyond T+20 (2035) the cumulative net losses explode at €42 bn in 2040, €59.2 bn in 2045 and €77.6 bn in 2050. The WA civil society proposed on January 14, 2014 in Dakar to create a Regional Solidarity Fund to reimburse the GSP duties to the exporters of Ivory Coast, Ghana and Nigeria if the regional EPA is not finalized. Solidarité has calculated that it would suffice that each WA State contributes through a fee of 0.24% of its annual extra-WA imports. Ivory Coast would be the first beneficiary as its contribution would be limited to €15.4 M, compared to €113.1 M of GSP duties it would have paid in 2015. However, as it is the only one of the 3 DCs to incur still a net cumulative loss of GSP ID in T+20 (2035) compared to its losses of ID on its imports from the EU (but this net loss would disappear from the year T+21), the other 15 WA States could propose that Ivory Coast be exempt from contributing to the Solidarity Fund during the first 5 to 10 years. The management of the Fund would be ensured by ECOWAS through a specific agency to which each WA State would send its monthly contribution and the Agency would make advances to exporters of the 3 DCs, based on their provisional invoices and bills of lading so as not to slow down their exports.

- If WA countries sign the EPA they would be the fall guys: they would lose a lot of fiscal revenues but also their so-called trade preferences because it would be often more advantageous for the EU to source the products from more competitive countries with which it has concluded FTAs, importing also duty free their exports.

✓ Far from promoting the WA integration the EPA would break it

- The DG Trade study does not quantify the impact of EPAs on regional integration but merely points out that the PAPED funds would be used primarily to finance the WA National Indicative Programmes (NIP) and the Regional Indicative Programme (RIP) of investments that are co-managed by ECOWAS and WAEMU. DG Trade chooses to emphasize the example of cotton production programme it funds in Ivory Coast as a good promoter of regional integration since production has doubled from 2009 to 2013 when it reached 140 000 tonnes. It could have chosen a better example as EU cotton exports of 367,600 tonnes in 2014 (produced in Greece and Spain) have always exceeded those of Burkina Faso, the largest exporter of WA[11]. The issue is that this was only possible because the EU has the highest subsidy rate per tonne of cotton in the world, of €2,134 in 2014, more than twice the FOB price of €1,011, implying a dumping rate of 211%. The EU boasts that it does not use explicit export subsidies, which is true, but its domestic subsidies benefit clearly also to its exports, even if the EU claims they are not trade-distorting because two thirds are decoupled and notified in the WTO green box and the third is notified in the blue box for products with a capped production. Therefore the EU shares a part of responsibility in the decline of world cotton prices plaguing WA producers. Indeed if the EU share in the combined US + EU cotton production has been of only 13.1% on average from 1995 to 2014, its share of their combined export subsidies reached 40.4%, and exceeded even 50% in 2007, 2010 and 2014 !

On the other hand most previous studies on the EPA emphasized its negative impact on regional integration.

- For the ITAQA study of 2008 "*The signing of an EPA with the EU negatively affects the regional partners of Ivory Coast. Its imports fall by 4% from Nigeria, by 2.63% from Ghana and by 2.74% from Benin. Nigeria's imports from Mali and Niger would be reduced by 8.7% and 5.7% respectively, and nearly by 5% from Ghana ... At the end of the liberalization process Ivorian exports to Burkina Faso and Mali would be reduced by about 9% and 6% respectively*".

- For the ITAQA study of 2012 "*there is a decline in intra regional exchanges. This reduction in demand for regional imports reflects trade diversion in favor of the EU and to the detriment of regional partners. For products equal in quality and characteristics, the decline in the prices of European imports due to the tariff reductions pushed African importers away from regional producers because they became less competitive than before the tariff cuts*".

- According to the study of Nigerian researchers of Ibadan in April 2014, "*Increased imports from the EU will displace imports from ECOWAS member States… By 2035, imports from Benin will fall by 3%, Burkina Faso 3.4%, Cote d'Ivoire 3.1%, Ghana 2.9%, Mali 6.1%, Niger 3.6%, Senegal 0.2% and Togo 3.9%. imports from Benin will fall by 3%, from 3.4% of Burkina Faso, Côte d'Ivoire 3.1%, 2.9% of Ghana, Mali 6.1%, 3.6% Niger,*

[11] *The US and EU cotton subsidies from 1995 to 2014*, Solidarité, March 12, 2016, http://www.solidarite.asso.fr/Papers-2016

Senegal 0.2% and Togo 3.9%. Therefore, EPA will also divert Nigeria destined imports from these countries to the EU".

The other economic constraints of the West Africa's EPA

✓ The MFN clause (Article 6 of the EPA) would require WA to give the EU any more favorable treatment that it would consent to countries other than those in Africa or in ACP countries, which have both a share of world trade higher than 1.5% and an industrialization rate measured by the ratio of manufacturing value added to GDP higher than 10%. This aims especially the agreements that WA could sign with other major developed countries or major emerging countries such as China, India or Brazil.

✓ Prohibition to change without the agreement of DG Trade the classification of WA products in the 5 bands of the Common External Tariff (CET: 0%, 5%, 10%, 20%, 35%), their liberalization period (years T+5, T+10, T+15, T+20) and the list of non-liberalized products, whatever the evolution of the competitiveness of products, in order to give visibility to EU exporters.

✓ The "rendez-vous" clause (Article 106) provides that, six months after the conclusion of the EPA, negotiations begin to expand the EPA to services, intellectual property, investment, competition, government procurement, current payments and capital movements, protection of personal data, consumer protection, sustainable development. In short what is at stake is the reduction of policy space of WA States to build their much needed development policies appropriate to their own needs, the EU striving to obtain by the EPAs what ACP countries refused at the WTO.

✓ Prohibition of quantitative restrictions (Article 34) is all the more abnormal as the EU systematically used them in all its other FTAs, especially for its agricultural products. Besides its extensive use of specific tariffs (x euros per ton) or mixed (*ad valorem* plus specific), in particular on agricultural products, where the *ad valorem* part may be less important than the specific duty, is an indirect way of restricting imports when the world prices are low.

The social and political impacts of the EPA

✓ According to the IFPRI model used by the DG Trade study "*Remuneration of labour is expected to increase in all countries (up to 0.9% in Côte d'Ivoire)*". But these modelers had wrote in their study of January 2016: "*We focus on unskilled labor since this is the most important productive factor for a poverty analysis. In Nigeria, Senegal, Benin, and Burkina Faso, the nominal remuneration of this factor is reduced by the reform due to less demand for unskilled labor. In Nigeria, this is due to a reduction in the production of the other crops sector (Table 4.12) by 4.5 percent, as this sector absorbs 4.4 percent of total unskilled labor (2035—baseline), and the demand for this factor is reduced by 4.7 perc*ent".

✓ As for the researchers of Ibadan, "*there will likely be a gradual increase in urban and rural unemployment… as liberalisation deepens*" and "*total household consumption may slightly fall*".

✓ By significantly reducing tax revenues of WA States, the EPA would reduce all budgets for education, health, small farmers and environment protection. The more so as WA is already facing a triple challenge: population, climate change and food deficit.

✓ The number of WA illegal immigrants arrived in the EU and the number of those drowned in the Mediterranean would explode, probably more and for a longer period than the current exodus of Syrians, Iraqis, Afghans and Libyans, given the population explosion that WA will be facing. According to FRONTEX their number increased from 35,000 in 2014 to 54,085 in 2015: "*It is now fairly easy to reach the EU regardless of the heightened risk of dying in the desert or at sea. The motivation for migration may vary among individuals, but most are believed to be pushed by economic motivations*"[12].

✓ Similarly Boko Aram and other jihadists of ACMI and Ansar Eddine have a bright future if the EPA is implemented.

✓ It is finally the EU which, through the EPA, would violate human rights in ACP countries, particularly in West Africa.

✓ Yet some EU politicians had pulled the alarm from 2005 to 2008, to no avail.

- Along with a report on the EPA in March 2005 of the International Development Committee of the House of Commons, the Ministry of Trade and Industry and the Department for International Development (DFID) of the United Kingdom published the same month a position paper entitled "*Economic Partnership Agreements: making EPAs deliver for development*", underlining that "*In its work on EPAs with ACP regional groups, the EU should take a non-mercantilist approach and not pursue any offensive interests. Developing countries can benefit from liberalisation in the long run, provided they have the economic capacity and infrastructure they need to trade competitively… We will not force trade liberalisation on developing countries either through trade negotiations or aid conditionality*"[13].

- The International Committee of the French National Assembly adopted unanimously on July 5, 2006 information report on the EPA's deputy Jean-Claude Lefort: ""*These negotiations are heading straight for failure…If the Commission persists, Europe will commit a political, tactical, economic and geostrategic mistake… Can we really assume the responsibility of leading Africa, which in a few years will be home to the greatest number of persons living on less than one dollar a day, to more chaos, on the grounds that OMC rules are being complied with? Do we believe this chaos will be limited to Africa, which would already be unbearable?… And if we were to persist down this path we would contribute to the splitting, if not the end, of the EU-ACP partnership… It is therefore absolutely necessary for politicians to give a new negotiating mandate to the Commission, following a Franco-British initiative*"[14].

- As for Christiane Taubira, former French Minister of Justice in Government Valls, who presented on 15 June 2008 a report on the EPA requested by President Sarkozy, she believes that "*The EPAs are trade agreements, not of development. The Commission assume it. But I do not think that free trade can lead to development. There is no market opening example that has led to development. EPAs will remove all protections. By fully opening the markets, not only one removes protections but also one disarm the States. One deprives them of revenue, of fiscal possibilities and intervention in the economy ... Is the EU*

[12] http://frontex.europa.eu/assets/Publications/Risk_Analysis/Annula_Risk_Analysis_2016.pdf

[13] www.dti.gov.uk/files/file9845.pdf

[14] Jean-Claude Lefort, *Rapport d'information sur la négociation des accords de partenariat économique avec les pays d'Afrique, des Caraïbes et du Pacifique*, Assemblée Nationale, 5 juillet 2006: http://www.assemblee-nationale.fr/12/europe/rap-info/i3251.asp#TopOfPage

considering that the historical, cultural and economic ties it has established with the southern countries, throughout its history, must extend today in the globalized world?"[15].

To conclude

The Heads of State of WA must wake up, recognize the lucidity of Nigeria's President Muhammadu Buhari by renouncing once and for all to the formal signature of the regional EPA, and immediately implement an anti-EPA fee to preserve some chance to promote their medium and long term development. They owe it to their children and grandchildren who will be so many tomorrow. The EU has shown his arrogance and greed. As the former governor of the Central Bank of Nigeria, Professor Chukwuma Charles Soludo, stated on March 19, 2012: "*Africa is now required to meet all kinds of other intrusive and destructive conditionalities that literally tie the hands of African governments to deploy the same kinds of instruments that all countries that have industrialised applied to build competitive national economies… The West African EPA would be a second slavery*"[16].

There is a rumour that, if Nigeria's stance not to sign the regional EPA is definitive so that it would be buried, DG trade could accommodate to perpetuate the interim EPAs of Ivory Coast and Ghana provided they would formally sign and ratify them. This would imply that DG trade doesn't care about the disintegration of WA which was supposed to be the first justification of the EPA. Indeed the other 14 States would levy duties on their imports from Ivory Coast and Ghana to avoid being flooded by the EU products they would have imported duty free. Not only the Common External Tariff (CET) in force since January 2015 would disappear but also all the other common policies put in place with difficulty since 1973, of which particularly the agricultural policy (ECOWAP) given the weight of Ivory Coast (and to a lesser extent Ghana) in the regional agricultural trade. As Ivory Coast agricultural exports excluding cocoa directed to ECOWAS have exceeded by 72% in 2014 those to the EU, Ivory Coast should compare the €310 M it would have to pay to continue exporting to ECOWAS countries at the level of 2014[17], with the €113 M of GSP duties it would pay to the EU to maintain its exports of 2015. This would be a huge detrimental political signal that the EU would send to ECOWAS and to the whole SSA.

ECOWAS must become a full WTO Member in order to negotiate on behalf of its 15 Member States and to strengthen its power to influence the rules. This will allow it to benefit from bound tariffs – the only ones negotiated at the WTO level – at the weighted average of its 15 Member States bound tariffs in order to adjust the level of applied tariffs – the only ones it has presently with the CET (common external tariff) –, depending on the context of the economy. And then it could turn these applied duties into variable levies for many agricultural products to ensure stable and remunerative prices to farmers[18].

Pity! Too bad that even the EU selfish capitalist businesses shoot themselves in the foot by not understanding that, to enjoy in the medium and long term of the huge market that WA will represent for their exports of high value added products and services, they must agree in a first period to enable WA to ensure its food sovereignty and protect its infant industries. It is what Europe and all the countries presently developed have done and it cannot be different for WA.

[15] http://www.lejdd.fr/Economie/Actualite/Taubira-Les-gens-crevent-de-faim!-90439/
[16] http://www.thisdaylive.com/articles/soludo-eu-trade-agreement-is-second-slavery/111761/
[17] *Perpetuating the interim EPAs of Ivory Coast and Ghana would be meaningless*, SOL, May 15, 2016
[18] Jacques Berthelot, *How to regulate agricultural prices*, L'Harmattan 2013, downloadable in SOL.