



Comments to the Ghanaian Minister of foreign affairs' letter to the European Parliament

Jacques Berthelot (jacques.berthelot4@wanadoo.fr), November 7, 2016

Despite her vibrant plea to the EP to ratify the iEPA, there are some flaws in this plea.

1) The Minister's powerful political argument stressed many times is that the Ghanaian Authorities, Government and Parliament, are the most aware of the true needs of Ghana to implement the iEPA, so that the EU Parliament should not interfere in trying to show it would be detrimental to Ghana.

Even if we can understand this argument, the EU MEPs should at least take into account the spillovers of the iEPA on the whole West Africa. The Minister's stresses that "*for us in Ghana, the IEPA remains a temporary measure*". Sure, but what would happen if Nigeria, the Gambia and Mauritania persist in refusing definitively to sign the regional EPA? Could the Ghana's and Ivory Coast's iEPAs remain compatible forever with West Africa's regional integration, with the smooth working of the ECOWAS institutions, particularly the CET (common external tariff)? These are prejudicial matters that the MEPs should clarify for the sake of other ECOWAS Member States before ratifying the iEPA. The Minister's argument that the MEPs cannot refuse to ratify the Ghana's iEPA because it had already ratified the Ivory Coast's iEPA is not a strong argument because that ratification was made on 25 March 2009, at a time when the refusal of Nigeria to sign the regional EPA was not considered.

Besides the EU Commission and MEPs should clarify which tariffs Ghana and Ivory Coast will immediately use for their imports from the EU as they have signed and begun to apply the regional CET but their ratification of their iEPA was made afterwards. The EU Commission likely and EU exporters surely would prefer that Ghana and Ivory Coast would use the iEPAs tariffs as there are lower than those of the ECOWAS CET, particularly on agricultural products. But Ghana and Ivory Coast's Governments might prefer to use the ECOWAS CET to receive higher import duties and to protect their farmers.

The Minister argues that "*EU products will enter duty-free into other ECOWAS countries through Ghana upon ratification of our iEPA is a non-starter as this is not factually possible*", adding that "*no known EU products qualify under the above three (3) categories, rendering that argument flawed. Even under the Common External Tariff (CET) currently in operation under ECOWAS, the ETLS criteria prevails*". She is right in implying that EU products cannot enter duty free upon ratification as there is a moratorium of five years before opening its market to EU exports. But, beyond the rules of origin issue for Ghanaian products to get originated status in the ETLS (ECOWAS trade liberalization scheme), if Ghana applies immediately the iEPA tariffs, as they should legally, they will become more competitive than the other ECOWAS States and attract more investments, to the detriment of other ECOWAS States. And after 5 years, when Ghana will begin to open its market to EU exports, its imports of inputs and equipment from the EU at lower prices than in the other ECOWAS States will reinforce its competitiveness. The more so as Ghana's imports of liberalized products of groups A taxed at 5% (for commodities, capital goods and specific inputs) and B taxed at 10% (on inputs and intermediate goods) have represented 93% of all imports of liberalized goods and 70.2% of all imports (including excluded products) from EU28-UK in 2015. The petroleum products alone accounted for 26.2% of Ghana total imports from the UK EU28-in 2015, which were taxed at 9.90% on average in 2015 and this alone would

reduce significantly the cost of production and especially the transport cost of all domestic products, including of agricultural raw products. And, as the ECOWAS rules of origin are not enforced properly in most ECOWAS States, there is a significant chance that Ghana would obtain easily certificates of origin for many products processed with a 30% value added but made also with a much larger share of duty free imports from the EU than in the other ECOWAS States. So that there is a need to revise seriously the ECOWAS ROOs in the context of iEPAs.

2) The Minister avoids to speak of the GSP+ which she mixed with the standard GSP. However when Ghana exports would have had to pay €55.9 million in 2015 to the EU-UK under GSP plus MFN (for fresh bananas), it would have had to pay only €5.030 million, eleven times less, with GSP+ because most EU sensible agricultural products for GSP (€43.152 million) are duty free for GSP+ (3.648 million). The most sensitive GSP+ are fresh bananas for €2.851 million (MFN duties), vegetables (mainly yams) for €701 million and milling products for €78,788. The only non-agricultural sensitive product for which Ghana would have to pay GSP+ duties is aluminium (HS chapter 76) for €1.382 million. Bananas exports to the EU28-UK accounted for only 22,671 tonnes in 2015 against 51,261 tonnes to the EU28 as exports to UK were of 28,590 tonnes. The Minister's argument that Ghanaian production of bananas would be delocalized to Ivory Coast and Ghana is not powerful because there is an obvious threat that bananas of these two countries will themselves be delocalized sooner or later to the Andean and Central American countries which have signed FTAs with the EU in 2012 or 2015 (Ecuador), as their MFN duties are still declining, from €117 per tonne in 2015 to €75 from January 2020 on when their import quota in the EU will also disappear.

Furthermore DG Trade has made clear that "*The current GSP established by Regulation (EU) No 978/2012, preferences under which started to apply on 1 January 2014, will be effective for 10 years*"¹, so that "*The EU has ensured that the revised scheme is sufficiently stable and predictable for economic operators*" and "*Given that graduation has never applied to EBA, it is only fair to treat GSP+ countries in the same fashion. This should also make the GSP+ more attractive to potential applicants*".

3) The Minister says that the "*debate on the EPA's has been going on nationally since 2002 when the negotiations started, over the period there have been several engagements between the Government represented by the Ministry of Trade and Industry and the stakeholders in the private sector and civil societies*" and she quotes specifically "*the Association of Ghana Industries (AGI) an organization that represents most Ghanaian industrial business*". Even if the AGI has quite recently endorsed the official position to ratify the iEPA, it was strongly against before and still on April 2014². The Third World Network Africa based in Accra shares still the same view, complaining of "*the speed under which the House considered the agreement and ratified it was not enough since various stakeholders who would be affected by the agreement were not invited. 'We were expecting parliament to have an open debate so that all of us will understand. For instance a number of constituencies raised objections to the EPA'". He pointed out that the Trades Union, farmers, CSOs and local business owners all objected to the agreement*"³. Not to speak of Action Aid Ghana⁴. Surprisingly even Ms. Hannah Tetteh, then Minister of trade in early 2014, "*denied that cabinet was contemplating signing the document*"⁵ (of the regional EPA)!

¹ http://trade.ec.europa.eu/doclib/docs/2014/november/tradoc_152865.pdf

² <https://storage.googleapis.com/lcm-wordpress/AGI-Press-Release-on-EPA.pdf>

³ <http://citifmonline.com/2016/08/07/twn-bemoans-ratification-of-epa-with-eu/>

⁴ http://www.actionaid.org/sites/files/actionaid/actionaid_ghana_research_-_ghana_under_interim_epa_and_implications_for_socio-economic_development.pdf

⁵ <https://www.google.fr/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=Ghana's+Trade+Ministry+has+not+decided+on+the+Economic+Partnership+Agreement>