



Ghana's thoughtless ratification of the interim EPA, based on false data

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In ratifying the EU-Ghana interim EPA the 3 August 2016¹ the Ghanaian Parliament has shot itself in the foot, obeying to the Government which itself preferred to give in to the powerful pressures of international agribusinesses rather than to hear the warnings of the whole range of Ghanaian civil society, from the Association of Ghanaian Industry to the Christian Council, the Trades Union movement, CSOs² and farmers organisations.

Outline

- I – The GSP duties to pay on Ghanaian exports to the EU are hugely exaggerated
- II – The huge losses of duties on imports from the EU28-UK and on exports to ECOWAS Member States
- III – The other constraints linked to the ratification of Ghana's interim EPA

I – The GSP duties to pay on Ghanaian exports to the EU are hugely exaggerated

The Ministry of Trade and Industry is justifying the EPA by saying that €400 million of import duties of the GSP (Generalized System of Preferences) would have to be paid annually to continue to export to the EU but this figure is a pure fantasy not to say a huge lie. It suffices to read the following table showing the GSP duties that Ghana would have had to pay on its exports of 2015 either to the EU28 or to the EU28 minus the UK, which are the actual figures to take into account for the future after the Brexit. We see that total GSP duties would have been of €66.9 million in 2015 on exports to the EU28 – 16.7% of the alleged €400 million – and of only €44.9 million or 11.2% of the alleged €400 million to the EU28-UK, implying that the Brexit will reduce these duties by a third (-33.3%).

Table 1 shows that, if agricultural and fish imports of the Harmonised System (HS) of trade chapters 01 to 24 have accounted for 60.4% the EU28 imports and 58.2% of the EU28-UK imports, they have accounted for 97.9% and 96.9% respectively of all GSP duties to pay to the EU28 and EU28-UK. Agricultural imports from Ghana outside chapters 01 to 24 are almost inexistent: €3,410 of essential oils (code 33011) which are imported duty free.

¹ <http://citifmonline.com/2016/08/03/ghanas-parliament-ratifies-epa-with-eu/>

² Yao Graham, *EPA not beneficial to Ghana*, Third World Network Africa, <http://citifmonline.com/2016/07/26/epa-not-beneficial-to-ghana-yao-graham/>

Table 1 – GSP duties that Ghana would have had to pay to the EU28 or the EU28-UK in 2015 without EPA

Euros Harmonised System chapters	EU28 Imports			EU28-UK imports		
	Imports	GSP duties	GSP rate	Imports	GSP duties	GSP rate (%)
01- Live animals	86588	0		78329	0	
02- Meats						
03- Fish	17717677	1232361	6,96%	17625557	1226739	6,96%
04- Dairy produce	235			235		
05- Products of animal origin	0	0				
06- Live trees and other plants	1792326	8841	0,49%	1792326	8841	0,49%
07- Vegetables	20306557	1012566	4,99%	5873202	293073	4,99%
08- Fruits	105698454	7818292	7,40%	60233111	4457250	7,40%
09- Coffee, tea, spices	163786	155	0,09%	152282	137	0,09%
10 - Cereals	3904			2228		
11- Milling products	1068059	215509	20,18%	400676	80856	20,18%
12- Oilseeds	39102639	37	#0	38981749		#0
13- Lac, gums, resins	13481	0		2096		
14- Vegetable plaiting materials	1746053	0		1674898		
15- Animal and vegetable fats and oils	32999720	1383772	4,19%	31527995	1321023	4,19%
16- Preparations of meats and fish	170626191	34978369	20,50%	91256680	18707619	20,50%
17- Sugars and sugar confectionery	1265			123		
18- Cocoa and cocoa preparations	1045333230	17835435	1,71%	975139411	16366644	1,68%
19- Preparations of cereals	2125437	218615	10,29%	165912	17072	10,29%
20- Preparations of vegetables, fruit	6445262	625871	9,71%	6139549	596150	9,71%
21- Miscellaneous edible preparations	1067418	91418	8,56%	661031	56584	8,56%
22- Beverages	483906	24371	5,04%	402073	20264	5,04%
23- Residues, oilseeds meals	251951	0		251951		
24- Tobacco						
Sub-total 01-24	1446981718	65445612	4,52%	1232361414	43152252	3,50%
25- Salt, sulphur, earths, cement	7805		0	7805		0
26- Ores, slag and ash	13464988		0	13464988		0
27- Mineral fuels, mineral oils	759304462		0	717034108		0
28- Inorganic chemicals	596		0	596		0
29- Organic chemicals	2812		0	423		0
30- Pharmaceutical products	217536		0	33824		0
31- Fertilizers	35054	6	0,02%	35054	6	0,02
32- Tanning or dyeing extracts	90		0	90		0
33- Essential oils	2539348		0	1790254		0
34- Soap and washing preparations	64589		0	49195		0
35- Albuminoid substances	61		0	61		0
36- Explosives; pyrotechnic products			0			0
37- Photographic or cinematographic goods	389		0	389		0
38- Miscellaneous chemical products	808020		0	808020		0
39- Plastics	58669		0	42535		0
40- Rubber	22105943	82	#0	17645253		#0
41- Raw hides and skins						
42- Articles of leather	56199		0	47199		0
43- Furskins and artificial fur			0			0
44- Wood and articles of wood	30442826	6618	0,02%	27381829	5476	0,02%
45- Cork and articles of cork	1072		0	1072		0
46- Manufactures of straw	526442		0	504652		0
47- Pulp of wood			0			0
48- Paper and paperboard	19328		0	6963		0
49- Printed books, newspapers	44504		0	26563		0
50- Silk						
51- Wool						
52- Cotton	13720	878	6,40%	3623	232	6,40%
53- Other vegetable textile fibres	78028		0	78028		0
54- Man-made filaments	1090			1090		
55- Man-made staple fibres			0			0
56- Wadding, felt and nonwovens	28			28		
57- Carpets and floor coverings	4755			4755		
58- Special woven fabrics						
59- Covered textile fabrics	390		0	390		0
60- Knitted or crocheted fabrics	90		0	90		0
61- Apparel knitted or crocheted	19150	1777	9,28%	14711	1365	9,28%
62- Apparel not knitted or crocheted	108245	10264	9,48%	48549	4602	9,48%
63- Other made up textile articles	24755	958	3,87%	23521	910	3,87%
64- Footwear	4194	274	6,53%	4194	274	6,53%
65- Headgear	3261	0	0	2106		0
66- Umbrellas	694		0	694		0
67- Prepared feathers and down	58500		0	58500		0

68- Articles of stone, plaster, cement	3260		0	1667		0
69- Ceramic products	90622		0	90465		0
70- Glass and glassware	32171		0	27489		0
71- Natural or cultured pearls	5931621		0	5854179		0
72- Iron and steel	768368		0	737111		0
73- Articles of iron or steel	2131251		0	1259331		0
74- Copper and articles thereof	23233871		0	23242599		0
75- Nickel and articles thereof	25497		0	25497		0
76- Aluminium and articles thereof	46409813	1382173	2,98%	46402306	1382789	2,98%
78- Lead and articles thereof	9929677		0	9929677		0
79- Zinc and articles thereof						
80- Tin and articles thereof	82		0	82		0
81- Other base metals						
82- Tools, implements, cutlery	394368		0	391315		0
83- Miscellaneous articles of metal	185577		0	185577		0
84- Nuclear reactors, boilers, machinery	12917381		0	9585484		0
85- Electrical machinery and equipment	3697792	0	0	3409614		0
86- Railway or tramway locomotives	182		0	182		0
87- Other vehicles	2515694	19011	0,76%	598253	4547	0,76%
88- Aircraft	404732		0	397049		0
89- Ships	482477		0	482477		0
90- Optical, photographic, cinematographic	2359552		0	908371		0
91- Clocks and watches	1475		0	1475		0
92- Musical instruments	263970		0	224594		0
93- Arms and ammunition						
94- Furniture; bedding	70738		0	65208		0
95- Toys, games and sports requisites	20643		0	17878		0
96- Miscellaneous manufactured articles	285053		0	462		0
97- Works of art	24893		0	14860		0
99- Other products	4353937		0	1284411		0
Sub-total 25-99	946552330	1422041	0,15%	884258765	1400201	0,16%
Total	2394159264	66867653	2,79%	2116620179	44552453	2,10%
01-24/total	60,43	97,87		58,22%	96,86%	

Source: Eurostat and TARIC (http://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp?Lang=fr)

To save time we did not recalculate chapter by chapter for EU28-UK imports from Ghana the rate of GSP duties already identified for EU28 imports³, except for the most important products: processed cocoa, processed tuna, bananas and pineapples (CTBP), assuming that the average rate of duties was the same, i.e. that the composition of UK imports for each chapter was the same as that of the EU28. Later we could make the calculations for all chapters but there are these four products which matter for the GSP duties to pay on Ghanaian exports.

Table 2 shows the share of UK in EU28 and EU28-UK imports from Ghana in 2015 for all products and for the 4 most important CTBP exports which would have to pay the bulk of GSP duties.

Table 2 – EU28 and EU28-UK main imports from Ghana in 2015: cocoa, tuna, bananas, pineapples

1000 €	Total	CTBP	Total processed cocoa					Tuna processed	Bananas	Pineapples
			total	paste	butter	powder	chocolate			
EU28	2394209	574793	340824	208046	101304	58	58	170626	39098	24245
EU28-UK	2117204	436170	309396	200177	77795	41	41	91257	18261	17256
UK	277005	138623	31429	7869	23509	17	17	79369	20837	6989
UK/EU28	11,6%	24,1%	9,2%	3,8%	23,2%	29,1%	29,1%	46,5%	53,3%	28,8%
UK/EU28-UK	13,1%	31,8%	10,2%	3,9%	30,2%	41,1%	41,1%	87%	114,1%	40,5%
In tonnes										
EU28		204371	99186	67490	18100	13562	34	33970	51261	19954
EU28-UK		142343	86882	65474	12999	13545	22	15737	22671	17053
UK		62028	7146	2016	5101	17	12	18175	28590	2901
UK/EU28		30,4%	7,2%	3%	28,2%	0,1%	36,6%	53,5%	55,8%	14,5%
UK/EU28-UK		43,6%	7,8%	3,1%	39,2%	0,1%	57,7%	115,5%	126,1%	17%

Source: Eurostat; CTBP: cocoa, tuna, bananas, pineapples

³ The foly to implement the EU-West Africa Economic Partnership Agreement (EPA), based on 2015 trade data, SOL, 19 April 2016, <http://www.sol-asso.fr/analyses-politiques-agricoles-jacques-b/>

We have omitted the quantity of total imports as it is meaningless. We see that the Brexit does matter for Ghana as UK imports from Ghana have accounted for 24.1% of EU28 imports in value and 31.8% of EU28-UK for all CTBP, and for respectively 27.8% and 40% in volume. In particular the UK accounts for 55.8% of all EU28 bananas imports from Ghana and for 53.5% of processed tuna against 28.8% for pineapples and 9.2% of processed cocoa. This is the reason why total GSP duties to pay to the EU would be a third lower to the EU28-UK than to the EU28.

Table 3 shows the GSP duties that Ghana would have paid to the EU28 and EU28-UK in 2015 on the CTBP products and the share of these GSP duties on all duties to agricultural products and to total products. Their share was of 91.5% of agricultural products and 89.6% of all products for the EU28 imports from Ghana and of respectively 88.9% and 86.1% for the EU28-UK imports from Ghana.

Admittedly Ghanaian exports to the EU would also have to pay, beyond the GSP duties, the VAT on all products and excise taxes on mineral oils but we should not count them because, even with the EPA, the EU duty free imports do not incorporate the VAT and excise taxes which have to be paid in any case.

Table 3 –GSP duties that Ghana would have paid to the EU in 2015 on the CTBP products

Product		EU28 imports from Ghana				EU28-UK imports rom Ghana			
Code	Label	Euros	100 kg	GSP rate	GSP duty	Euros	100 kg	GSP rate	GSP duty
080310	Plantains	311716	2706	12,50%	38965	204638	2188	12,50%	25580
08039010	Bananas fresh	39094915	509901	127 €/t	6475743	18261054	224518	127 €/t	2851379
08039090	Bananas dried	3011	2	12,50%	376	32	0	12,50%	4
080430	Pineapples	24244897	199537	2,30%	557633	17256298	170527	2,30%	396895
Sub-total 08		63654539	712146	11,11%	7072717	35722022	397233	9,16%	3273857
160414	Prepared tuna	168997408	336789	20,50%	34644469	89881282	155040	20,50%	18425663
16042070	Prepared tuna	1628783	2908	20,50%	333901	1375398	2325	20,50%	281956,6
Sub-total 16		170626191	339697	20,50%	34978370	91256680	157365	20,50%	18707620
1803	Cocoa paste	208046044	674903	6,10%	12690809	200177309	654743	6,10%	12210816
1804	Cocoa butter	101303581	180999	4,20%	4254750	77794943	129990	4,20%	3267388
1805	Cocoa powder	31416551	135619	2,80%	879663	31382209	135452	2,80%	878702
1806	Chocolate	57949	339	*	10212	41072	215	*	9739
Sub-total 18		340824125	991860	5,23%	17835434	309395533	920400	5,29%	16366645
Tot. 08+16+18		575104855	2043703	10,41%	59886521	436374235	1474998	8,79%	38348122
% chap.01-24		39,7%			91,5%	35,4%			88,9%
% all chapters		24%			89,6%	20,6%			86,1%

Source: Eurostat and TARIC

Even with the EPA we cannot expect that Ghanaian exports to the EU28-UK could rise in the future for two reasons:

- The stagnation and ageing of the EU28-UK population which is even expected to decline after 2030 according to the UN revised population estimate of 2015.
- West African exports to the EU, of which from Ghana, will face a significant competitiveness erosion vis-à-vis the Andean and Central American countries having recently concluded FTAs with the EU as they will also enjoy duty free-quota free exports to the EU except for bananas – where they will pay a declining duty, limited to €75 per tonne from 2020 on when the non LDCs ACPs will have to pay the full MFN duty of €126 without EPAs – and for chocolate for which they will have to pay the specific duty only but not the ad valorem duty.

II – The huge losses of duties on imports from the EU28-UK and on exports to ECOWAS Member States

The huge overestimate of the GSP duties that Ghana would have paid to the EU in 2015 and would have to pay in the future after the Brexit is far from telling the whole story about the ratification and likely implementation of the interim EPA. Indeed Ghana will have to suffer two large losses of duties.

2.1 – The huge losses of duties linked to the progressive liberalization of 80.4% of Ghanaian imports from the EU28-UK

The losses of duties on import from the EU28 were already estimated in a previous paper³, taking into account three additions to the FOB value of EU28 exports to Ghana:

- Addition of 20% accounting for the gap from EU28 FOB values to West-Africa CIF values
- Addition of 33.6% accounting for the trade diversion favouring more imports from the EU to the detriment of intra-WA trade and of third countries which would continue to be taxed
- Higher imports increasing at a rate estimated at 2/3 of the growth rate of population from T+5 (2020) to T+20 (2035)
- Addition of the increased value added tax (VAT) on imports as the VAT is levied on the CIF value + import duties. As these would diminish, the VAT revenues would follow.

Table 4 shows that, for the EU28, total annual losses would rise from €170.3 million in T+5 (2020) to €256.8 million in T+10 (2025), €342.8 million in T+15 (2030) and €406 million in T+20 (2035). For the EU28-UK these losses would be about 11.6% lower (second column of table 2), i.e of €150.6 million in T+5, €227 million in T+10, €303 million in T+15 and €359 million in T+20.

Table 4 – Distribution over time of Ghana's additional annual import duties losses due to the EPA

€ 1000	EU FOB	Ghana CIF	+ trade diversion	+ population rise	+ VAT losses	Total for EU28-UK
T+5 (2020)	88010	105612	141098	151629	170325	150567
T+10 (2025)	44964	53957	72089	76972	86463	76432
T+15 (2030)	44962	53955	72083	76551	85990	76015
T+20 (2035)	33172	39807	53182	56283	63223	55889
Total	211746	254096	339472	361435	406000	358904

Source: *The folly to implement the EU-West Africa Economic Partnership Agreement (EPA)*, based on 2015 trade data, SOL, 19 April 2016, and table 3 above.

However these estimates are provisory as I will check them more carefully.

2.2 – The import duties to pay on Ghanaian exports to the other ECOWAS Member States

The other ECOWAS Member States would be forced to tax their imports from Ghana on the basis of the ECOWAS CET (common external tariff) in order not to be flooded with EU products that Ghana would import duty free. Even if the share of Ghana exports to ECOWAS was limited to €842 million in FOB value in 2013⁴, or only 8.8% of its total exports of €9.5 billion or one third (33.4%) of its exports to the EU28 of €2.8 billion, nevertheless these exports to the other ECOWAS Member States would have led to import duties of around €140 million in Ghana FOB value (implying an average import duty of 16.6%) and €161 million in

⁴ The ITC TradeMap does not provide data for 2014 or 2015.

ECOWAS CIF value (assuming an average gap of 15% between FOB and CIF). We see that these duties to ECOWAS are already 3.6 times larger than the GSP duties that Ghana would have paid to the EU28-UK in 2015 without the EPA.

2.3 – The cumulative losses of duties on imports from the EU and on exports to the other ECOWAS Member States, net of GSP duties without EPA

Table 5 shows Ghana's total cumulative losses of duties from 2015 to 2050 on imports from the EU28-UK due to the EPA plus of the import duties to pay on exports to ECOWAS, net of the cumulative GSP duties to pay on Ghana's exports to the EU28-UK if the EPA is not implemented.

Even if the GSP duties on Ghana's export to the EU28-UK would have to be paid immediately if the EPA is not implemented, this would be also the case for the import duties to pay on exports to the other ECOWAS Member States. Without taking into account these import duties to pay on exports to ECOWAS, it is only in 2022 that the cumulative losses due to the market opening of EPA would exceed the cumulative GSP duties without the EPA. But the cumulative loss appears immediately in 2015 when we take into account the import duties on exports to ECOWAS. And the net cumulative losses explode rapidly: from €116 million in 2015 to €849 million in 2020, €2.261 billion in 2025, €4.397 billion in 2030 and €6.131 billion in 2035, at the end of the liberalization period. The extension to 2050 would skyrocket the net deficit to €13.263 billion!

Table 5 – Ghana's cumulative losses of duties on EU and ECOWAS net of GSP from 2015 to 2050

€ 1000	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GSP	44552	89104	133656	178208	222760	267312	311864	356416	400968	445520	490072
Loss on EU						150567	301134	451701	602268	752835	979835
Loss/Ecowas	161000	322000	483000	644000	805000	966000	1127000	1288000	1449000	1610000	1771000
Total loss	161000	322000	483000	644000	805000	1116567	1428134	1739701	2051268	2362835	2750835
Net loss	116448	232896	349344	465792	582240	849255	1116270	1383285	1650300	1917315	2260763
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2050
GSP	534624	579176	623728	668280	712832	757384	801936	846488	891040	935592	1603872
Loss on EU	1206835	1433835	1660835	1887835	2114835	2417835	2720835	3023835	3326835	3685835	9070835
Loss/Ecowas	1932000	2093000	2254000	2415000	2576000	2737000	2898000	3059000	3220000	3381000	5796000
Total loss	3138835	3526835	3914835	4302835	4690835	5154835	5618835	6082835	6546835	7066835	14866835
Net loss	2604211	2947659	3291107	3634555	3978003	4397451	4816899	5236347	5655795	6131243	13262963

III – The other constraints linked to the ratification of Ghana's interim EPA

The ratification and implementation of the EPA would sign the end of the ECOWAS free movement of goods, of the Common External Tariff (CET) and more generally of the first objective of the regional EPA which was to foster regional integration. So that Ghana might be excluded from ECOWAS and from all or most of the benefits provided through its various common policies, of which the ECOWAP (common agricultural policy).

Even if Ghana, having implemented the interim EPA, would clearly not be excluded from the EPADP (development assistance program of the EPA) for its national investment programme, the EPADP would be reduced after the Brexit, especially the part from the 11th EDF (European Development Fund) funded by the EU Member States (of which 14.5% by the UK) and not by the Community budget.

Above all we cannot forget all the EPA constraints which would limit Ghana's policy space to foster its development:

- Impossibility to raise export taxes beyond the level at T0 (assumed to be 2015).

- The MFN clause (Article 6 of the EPA) would require Ghana to give the EU any more favorable treatment, particularly tariff reductions, resulting from agreements with other major developed or emerging countries.
- The "rendez-vous" clause (Article 106) provides that, six months after the conclusion of the EPA, negotiations should begin to expand the EPA liberalizations to new issues that all DCs have refused at the WTO: services, intellectual property, investment, competition, government procurement, current payments and capital movements, etc.
- Prohibition of quantitative restrictions (Article 34), which is even more abnormal that the EU uses them for its agricultural products in its other free trade agreements.
- The sharp drop in tax revenues would reduce all budgets devoted to education, health, small farmers and environment protection. The more so as Ghana, as the rest of WA, is already facing three structural challenges: population explosion, climate change and food deficit, even with the EU if we exclude cocoa when the average food deficit was of €75.6 million from 2010 to 2015. To which we could add the collapse in the last two years of most commodities prices except cocoa, of which of oil products (having accounted for 33.9% of Ghana's total exports to the EU28-RU in 2015).
- Without forgetting that Ghana will suffer from the EU dumping of its agricultural products as the EPA will liberalize more than 50% of Ghana imports of agricultural products from the EU at T+20. In 2013 the EU subsidies to its agricultural exports to Ghana reached €70.9 million, of which €36 million to bovine meat, €19.3 million to poultry meat, €8.3 million to cereals, €5.4 million to dairy products and €2 million to pig meat. The more so as the EU has refused to deal with the issue of its domestic agricultural subsidies in the EPA, that it refuses to deal as well at the WTO, alleging that most of them are fully decoupled and notified in the green box.

Conclusion: despite the disasters to be expected from the EPA, the present Ghanaian politicians would no longer be there, even as soon as 2025, to explain their decision. And the present EU Ambassador to Ghana, William Hanna, would himself not be accountable of his declaration that the EPA ratification "*is a win/win deal for Ghana and the European Union*"⁵.

⁵ <https://www.facebook.com/EuDelegationToGhana/posts/627971517370730>