



The EU caught in the trap of Nigeria's refusal to sign the West Africa Economic Partnership Agreement and the Continental Free Trade Area

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On April 9, 2018 President Muhammadu Buhari of Nigeria very explicitly stated to the new Ambassador of the European Union (EU), Ketil Iversen Karlsen, who came to present his credentials, that Nigeria was determined not to sign the Economic Partnership Agreement (EPA) for West Africa (WA)¹, which EPA groups together the 15 States of ECOWAS (Economic Community of West African States) plus Mauritania. He repeated what he had already solemnly declared on 3 February 2016 at the Plenary Assembly of the European Parliament in Strasbourg, that this would jeopardize the industrialization of its country and the need to create millions of jobs for a youth who would otherwise be deprived of a future. However the EU has always recognized that the WA EPA could not be finalized without Nigeria, which accounted in 2016 for 72% of the WA's GDP and 52% of its population.

The EU and ECOWAS have now their back against the wall, particularly Côte d'Ivoire and Ghana, which have implemented interim EPAs (iEPAs) since the end of 2016, that they had signed already at the end of 2007 in the hope that the WA will be finalized, in order to keep the entry at zero customs duty for their exports to the EU market, in particular for bananas, pineapple, processed cocoa and processed tuna.

Without a regional EPA, the iEPAs of Côte d'Ivoire and Ghana will become permanent and torpedo the slow process of regional integration at work since the creation of ECOWAS in 1975, while the primary objective of the EPAs and the Cotonou Agreement of 2000 between the EU and the ACP (Africa-Caribbean-Pacific) countries is to promote regional integration in the Regional Economic Communities (RECs) of the ACP countries, of which ECOWAS. Indeed, while the iEPAs will liberalize, that is to say eliminate, their customs duties gradually over 15 years on their imports from the EU, from 3 September 2018 for Côte d'Ivoire and 15 December 2021 for Ghana, the other WA States will be forced to tax their imports from these two countries. Otherwise they will be invaded by the products that Côte d'Ivoire and Ghana will import duty free from the EU and, more generally, by the finished products they will have manufactured from EU inputs and equipment accounting for 80% of their imports from the EU.

Customs duties that the rest of WA will have to impose on their imports from Côte d'Ivoire and Ghana are much higher than the losses in customs duties and VAT of these two countries on their liberalized imports from the EU28-UK (to account for Brexit as of March 2019): for Côte d'Ivoire cumulative losses until 2035 (last stage of liberalization) on its exports to WA would be 2.3 times (€9.2 billion) higher than the €4.4 billion on liberalized imports from the EU28-UK². However, the sum of these two cumulative customs losses is 2.9 times higher than the cumulative €4.7 billion in customs duties that Côte d'Ivoire would have to pay on its exports to

¹ <https://www.thisdaylive.com/index.php/2018/04/10/buhari-1-declined-signing-regional-economic-pact-to-protect-local-industries-youths-fg-au-to-resume-afcfta>

² *L'absurde APE intérimaire de Côte d'Ivoire*, SOL, 28 Mars 2018, <https://www.sol-asso.fr/wp-content/uploads/2017/01/Labsurde-APE-int%C3%A9rimaire-de-C%C3%B4te-dIvoire-SOL-31-mars-2018.pdf>

the EU28-UK without the iEPA. For Ghana the issues are the same even though data are lower³. These two countries have made a very bad calculation indeed by ratifying and implementing their iEPAs.

But this observation will become much more complex since 13 of the 16 WA States – of which Côte d'Ivoire and Ghana, but also Benin, Burkina Faso, Cape Verde, The Gambia, Ghana, Guinea, Liberia, Mali, Mauritania, Senegal and Togo – signed on March 21, 2018 the agreement on the African Continental Free Trade Area (AfCFTA) at the Extraordinary Summit of the Heads of State of the African Union on March 21, 2018 in Kigali⁴, where only Nigeria, Guinea Bissau and Sierra Leone did not sign. But this agreement commits the 13 WA States to remove their customs duties on 90% of their imports from African countries. Unsurprisingly, the European Commission, which had already partially funded the CFTA process, welcomed the signing of the AfCFTA and renewed its commitment to continue this support in a joint statement of the Vice-President of the European Commission and Commissioner for Foreign Policy, Federica Mogherini, the EU Trade Commissioner, Cecilia Malmström, and the EU Commissioner for Development and International Cooperation, Neven Mimica⁵. Indeed the AfCFTA will greatly increase the EU exports to Africa, where the EU multinationals are already in a strong position and which would concentrate their operations in the most competitive States, to the detriment of the others.

The more so as this will also inflate the EU exports to Côte d'Ivoire and Ghana because the MFN (Most Favored Nation) clause of their iEPAs (article 17) obliges them to extend to the EU the tariff advantages granted to "*any group of countries acting individually, collectively or through a free trade agreement having a share of world trade in excess of 1.5 percent in the year before the entry into force of the Economic Integration Agreement* ", as it is the case for Africa which, according to the WTO, accounted in 2016 for 2.2% of world exports and 3.2% of world imports. In other words, Côte d'Ivoire and Ghana will have to liberalize 90% of their imports from the EU, far above the 75% forecast in their iEPAs. This will imply much higher customs revenue losses than the already considerable losses calculated for their iEPAs. It should be noted that Ghana ratified the AfCFTA in a hurry on April 27, 2018, to increase the chances of its candidacy to head the Secretariat of the AfCFTA in charge of its implementation, which will be decided by the next Summit of African Heads of State in July 2018⁶.

Unfortunately, the 11 other WAs that have signed the CFTA will not be able either to tax 90% of their imports from other African countries, including from Côte d'Ivoire and Ghana, as their APEi will disintegrate the ECOWAS Common External Tariff (CET). If these 11 States had not signed the CFTA, they could have taxed the products corresponding to 90% of imports from Côte d'Ivoire and Ghana from the EU and they could not tax either 90% of what they import from other African countries, including from Côte d'Ivoire and Ghana even without iEPAs! It is all the more absurd that, apart from Côte d'Ivoire, Ghana and Nigeria, all the other WA

³ *Le Ghana n'aurait jamais dû mettre en œuvre son APE intérimaire*, SOL, 13 février 2018, <https://www.sol-asso.fr/wp-content/uploads/2017/01/Le-Ghana-naurait-jamais-d%C3%BB-mettre-en-%C5%93uvre-son-APE-int%C3%A9rimaire-SOL-13-02-18.pdf>. We must update this file to calculate the losses of tariffs based on the tariff offer of the iEPA, as we have done for Ivory Coast, and not on the WA CET (common external tariff).

⁴ *The suicidal folly of the Africa's Continental Free Trade Area (CFTA)*, SOL, September 4, 2017, <https://www.sol-asso.fr/wp-content/uploads/2017/10/The-folly-of-the-Africas-Continental-Free-Trade-Area-September-4-2017.pdf>

⁵ <https://www.africa-eu-partnership.org/en/newsroom/all-news/africa-launches-its-continental-free-trade-area>

⁶ <https://www.tralac.org/news/article/12993-ghana-eyes-afcfta-secretariat.html>

countries are "least developed countries" (LDCs) or similar (Cape Verde) which will not have to liberalize their imports from the EU in the absence of a regional EPA.

This absurdity is amplified by the fact that the MFN clause of the WA EPA did not apply to imports from Africa, i.e. would not have required the WA States to liberalize 90% of their imports from Africa, if they had not signed the CFTA. Incidentally, the members of the CFTA are the 55 Member States of the African Union and not their Regional Economic Communities (RECs), of which ECOWAS. In other words, the damage caused to other WA States by Côte d'Ivoire and Ghana will be much more serious than without the CFTA since they will be able to tax only 10% of what they will import from these two countries. Furthermore the same will apply to all other intra-WA imports if ECOWAS does not decide to exclude Côte d'Ivoire and Ghana so as to keep the regional CET.

In this context, as absurd as it is dangerous for all WA States, ECOWAS should meet urgently and take the necessary decisions to save its regional integration. It is clear that the 16 States of WA have every interest in favouring regional trade instead of trade with all African States. If, according to TradeMap, WA imports from Africa in 2016 accounted for only 10.5% of its world imports and its exports to Africa only 20.2% of its world exports, intra-WA imports nevertheless represented 66% of its imports from Africa and its intra-WA exports 62% of its exports to Africa. While Côte d'Ivoire imported from Africa only 21.4% of its world imports and exported to WA only 33% of its world exports, its imports from WA accounted for 75.1% of its imports from Africa and its exports to WA 59.2% of its exports to Africa. And while Ghana imported from Africa only 9% of its world imports and exported to Africa only 24.6% of its world exports, its imports from WA accounted for 45.6% of its imports from Africa and its exports to WA 77.8% of its exports to Africa. Clearly these two countries also have every interest in favouring regional integration at the mirage of a very premature continental integration.

To get out of this trap, largely activated by the EU, ECOWAS should decide on three actions. The first is that the 13 States having signed the AfCFTA should cancel their signature, even though Ghana is unlikely to do so since it has already ratified it and has applied to hold the Secretariat. The decision will also be difficult for Niger as its President Mahamadou Issoufou has presided over the birth of the CFTA since 2016. The second thing to do is that Côte d'Ivoire and Ghana, even if they do not cancel their signing of the CFTA, cancel their iEPAs since their loss of customs revenue will be greatly aggravated by the MFN clause which obliges them to liberalize 90% of their imports from the EU instead of 75%. The third thing to do, if Côte d'Ivoire and Ghana do not cancel their iEPAs and their signature of the CFTA, is that ECOWAS should exclude them to maintain its regional integration objective and its CET, hoping that sooner or later these two countries will realize their mistakes and reintegrate ECOWAS.

WA does not lack good economists⁷ who have alerted governments on the detrimental impacts of both the WA EPA, the iEPAs and the CFTA but they have chosen not to listen to them.

And why is the EU so blind and contradicting itself so much when it claims to be fighting the root causes of the undesired African migration to its borders? If the EU wants to negotiate, in conditions acceptable to WA, and to ACP countries in general, the cooperation agreement that will succeed Cotonou from 2021, while allowing them to achieve in 2030 the objectives of the SDGs (Sustainable Development Goals) signed in New York in September 2015 and those of

⁷ <https://www.bilaterals.org/?senegalese-economist-ndongo-samba&lang=en>

the Paris climate agreement of December 2015, it must begin by terminating the iEPAs of Côte d'Ivoire and Ghana. It must then offer two alternatives to EPAs:

- Obtain the WTO agreement to return to non-reciprocal trade relations with sub-Saharan African countries as the United States has done with AGOA since 2000, this agreement having been renewed in 2015 until 2025 with the WTO consensus, including of the EU;
- Grant the GSP+ scheme to Nigeria, Côte d'Ivoire and Ghana as they fulfill the criteria of economic vulnerability and have signed the 27 required international conventions (except the Child Labor Convention by Ghana who could do it very quickly).