The EU has its back against the wall after Nigeria's final refusal to sign the West African Economic Partnership Agreement (EPA)

Jacques Berthelot, le 13 avril 2018

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). 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 (Economic Community of West African States) 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 torpedo the slow process of regional integration at work since the creation of ECOWAS in 1973, 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, including ECOWAS. Indeed, while the iEPAs will liberalize, that is to say eliminate their customs duties, gradually over 15 years their imports from the EU, from 3 September 2018 for Côte d'Ivoire and 15 December 2021 for Ghana, the other WA States – the 15 of ECOWAS plus Mauritania – 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 inputs and equipment which constitute 80% of their imports from the EU.

Customs duties on exports from Côte d'Ivoire and Ghana to the rest of WA are much higher than their losses in customs duties and VAT on 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-UK. 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 the EU28-RU without iEPA. For Ghana the data are of the same order. These two countries have made a very bad calculation indeed by ratifying and implementing their iEPAs.

Especially since the situation will worsen enormously for these countries which have just signed 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 Kigali, as they committed to eliminate their tariffs on 90% of their imports from the other 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 for Foreign

Policy, Federica Mogherini, the EU Trade Commissioner, Cecilia Malmström, and the EU Commissioner for Development and International Cooperation, Neven Mimica. 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.

Unfortunately eleven other WA States also signed the AfCFTA – Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Liberia, Mali, Mauritania, Senegal, Togo – and only three did not sign: Guinea Bissau, Nigeria and Sierra Leone. The thirteen countries which signed will no longer be able to tax 90% of their imports from the other African countries, and even from the WA if the iEPAs of Côte d'Ivoire and Ghana end up disintegrating the common external tariff.

But the signing of the AfCFTA will have profound negative repercussions on these iEPAs. Indeed their MFN (Most Favored Nation) clause 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. As a result, Côte d'Ivoire and Ghana will also have to liberalize 90% of their imports from the EU, well above the 75% forecast in their iEPAs. This will imply much higher customs revenue losses than the already considerable losses calculated for their iEPAs.

But at least, since, apart from Nigeria, Côte d'Ivoire and Ghana, all the other WA States are Least Developed Countries (LDCs) or similar (Cape Verde), they will not be obliged to liberalize their imports from the EU without a regional EPA.

Where have the African economists gone? And why is the EU so blind when it claims to be fighting the root causes of the undesired African migration to the EU?