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EU-ECOWAS Economic Partnership Agreement: Nigeria's Role in Securing Development-Focus and Regional Integration

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**EU-ECOWAS ECONOMIC PARTNERSHIP AGREEMENT:
NIGERIA'S ROLE IN SECURING DEVELOPMENT-FOCUS AND
REGIONAL INTEGRATION**

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Introduction

For underdeveloped African, Caribbean, and Pacific (ACP) countries, fostering development in an era of global economic crisis can be a daunting challenge. Even in the technologically-advanced and highly competitive economies, the contagion effect of the global crisis has shaken the foundations of their economic fortunes and forced a rethink of orthodox ways of managing their economies. ACP countries are technologically weak; they are mostly raw materials exporters; their supply response capacities are weak, as are the capacities of their economies to compete globally.

The Economic Partnership Agreement (EPA), which calls for dramatic reciprocal liberalization between the ACP and the European Union (EU) countries, is likely to aggravate the negative impact of the global financial crisis in ACP countries. The EPA is far apart from the original tool of development envisaged by the ACP countries in the context of the Cotonou Agreement (CA). Some of the implications of the financial crisis in African countries include lower investments and possible retrenchments in the industrial sectors, drastic drop in raw materials export revenue and government spending, leading to recession in the rest of the economy.

This certainly calls for caution by ACP countries as they engage the EU in negotiating reciprocal EPAs. In particular, the situation underlines the need for them to pay particular attention to the development dimension of the EPA, which the EU has neglected since the negotiations began.

Poor African countries are concerned that several analyses have shown that EPAs will have negative effects on their economies, including a stifling loss of critical tariff revenues, deepened de-industrialization and suffocation of small and medium-scale enterprises, the collapse of the agricultural sector, exacerbated unemployment, increase in poverty levels, and regional

disintegration. The opposition, by several ACP countries, to initialing an interim EPA (IEPA) before the December 2007 deadline, as demanded by the EU, arose primarily as a result of the EU's neglect of the development dimension.

The aim of this paper is to articulate principles and strategies that should guide West African countries in ensuring a development-focused EPA negotiation process. The paper is divided into several sections. Section two is on the negotiation structure of the Economic Community of West African States (ECOWAS); section three analyzes the anti-development nature of the EPA; section four places the EPA in the context of the global financial crisis; the EPA's implications for Nigeria are discussed in section five; section six analyzes the crisis of regional integration under EPA in West Africa and Nigeria's role in the renewed negotiations; section seven articulates strategies for ensuring a development-oriented EPA, followed by some concluding remarks.

ECOWAS Negotiation Structure

As a geographical configuration for the negotiation and conclusion of the EPA with the EU, the West African region is composed of sixteen countries, thirteen of which are ranked as Least Developed Countries (LDCs). The three non-LDC countries in the region are Nigeria, Ghana and Cote d'Ivoire.

Of the sixteen countries in the West Africa region, Mauritania is not a member of the ECOWAS. However, within the framework of the negotiations, the Mauritanian authorities mandated the ECOWAS Executive Commission to negotiate on their behalf with the EU. Also, Cape Verde suspended its participation in the EPA negotiations under the umbrella of the West African

region and opted to negotiate separately an Association Agreement with the EU.

The EPA negotiating structure is, theoretically, designed to enable individual participating countries to effectively articulate and protect their interests. For example, EPA negotiations in each ACP regional group are designed to be conducted at two identical levels: one is made up of Ministers, and the other consists of Senior Officials and Ambassadors. Below these two levels is a multi-sectoral body made up of representatives of the public and private sectors as well as civil society. This national-level body is a Development and Trade Policy Forum, which is charged with the responsibility of articulating various national development and trade negotiating interests and options of the country, and for developing briefs on the country's negotiating positions as inputs into the work of the two higher regional-level negotiating bodies.

In practice, however, the negotiating structure of the West Africa – EU/EPA is quite different, to the extent that it is dominated by the regional secretariat without space for national-level participation. For example, the structure is headed by a Team of Chief Negotiators, which is led by the ECOWAS Executive Secretary and assisted by the President of the UEMOA Commission. Below this is the Senior Officials' Team, which is led by the ECOWAS Deputy Executive Secretary for Policy Harmonization and assisted by the UEMOA Commissioner for Tax, Customs and Trade Policy. Finally, the structure is completed by the Team of Technical Experts, which is made up largely of Directors of Trade of the ECOWAS Commission and the UEMOA Commission.

Thus, the above structure makes no provision for an independent national-level body to act as a conduit through which national negotiating

interests can be canvassed and corresponding positions articulated. The absence of this national-level body may have denied West African countries the opportunity of direct and effective engagement with the EPA negotiating process. And the real danger is that an EPA negotiated through bodies that do not reflect appropriate national interests and positions may neither be ratified at the national level nor implemented faithfully.¹

The original goals of the EPA include the promotion of sustainable economic growth and development, the reduction of poverty in the participating ACP countries, and their gradual integration into the world economy, which would bolster regional economic integration. Towards those goals, the intermediate targets are the expansion and diversification of trade as well as increased domestic and foreign investment. The policy measures for attaining those goals and targets arising directly from the CA include import and investment liberalization, export promotion and supply-response capacity building.²

The ECOWAS countries that are participating in the EPA will have to implement import and investment liberalization sequentially at two levels, first, within their regional groups and, second, between them and the EU. Their exports will also be promoted through reciprocal enhancement of market access opportunities in the intra-regional and EU markets.

While the EPA's goals, intermediate targets and policy instruments are broadly consistent with ECOWAS countries' economic plans, the major problem has to do with the EPA strategy. In particular, the EPA strategy, which imposes substantial import liberalization on the participating ACP countries before adequate supply-response has been built or sufficiently strengthened, is definitely wrong-headed. Given the supply-response capacity constraints in ECOWAS countries, their interests would have been better reflected in the

context of a strategy which prioritizes supply response capacity building and enhanced market access ahead of import liberalization.³

Another dimension to the inappropriateness of the EPA strategy is that it seeks to push ACP countries to open their markets to EU goods and services faster and more substantially than to goods and services from EPA regions and the rest of the world. This situation will impose higher adjustment costs, that must be borne over a much shorter time period, on ACP countries than their trade negotiations and import liberalization interests would suggest.

In other words, there is serious doubt that the stated objectives of the EPA can be achieved through the strategy proposed. The goals of the EPA are tied to a strategy of robust export expansion and diversification. Without first enhancing their export supply-response capacity, which is necessary for them to take full advantage of both external and domestic market access opportunities, it is would be difficult for them to survive under a scheme that further opens up their economies to unrestrained competition from more competitive EU imports.⁴

As the interim agreements have revealed, the EU has been using coercion in the so-called partnership negotiations to force anti-development deals on weak underdeveloped West African countries.

The Anti-Development Nature of EPA

Several analysts have used various measures to underline the fact that EPAs are not as development-oriented as they were supposed to be. Emily Jones, for example, has evaluated the extent to which EPAs support ACP countries to achieve certain critical, development-focused, indices. Her verdict: EPAs fail the development test.⁵ A quick summary of her assessment is a useful pointer to the anti-development nature of the EPA.

Some Neglected Development Dimensions

Regional Integration: Rather than foster regional integration, the new EPA deals tend to create significant barriers to integration between existing regional partner countries and to fragment existing regional blocs. This will be highlighted later in this section in the case of West Africa.

Economic Diversification: By restricting the choices of ACP governments to support the development of infant industries, the EPA fails to support their diversification away from low-value primary production.

Food Security: The weak safeguards in the EPA deals tend to expose small-scale farmers to sudden surges of competition from imports. This undermines staple food markets and threatens food security.

Infrastructural Development: The European Development Fund (EDF) is insufficient for upgrading ACP countries' infrastructure. And since the new deals impose high additional costs, ACP countries seem to have been left worse off.

Market Access: Despite all the talk about liberalization, the EPA deals hardly improve the access of ACP countries to the EU's markets. While requiring ACP countries to dramatically open up their markets to imports from Europe, the EU is set to open up to other Third World countries, thereby eroding any gains to ACP countries. This is in addition to the several tariff and non-tariff barriers the EU places against ACP exports.

Foreign Investment: Under EPAs, the policy space of ACP governments to manage foreign investments in the public interest is severely constrained. Europe is forcing ACP governments to provide European foreign investors better incentives than they accord indigenous investors.

Services: The EPA deals severely constrain ACP governments to effectively regulate foreign service companies. Under the deals, ACP governments are largely prohibited from treating foreign and local companies differently, from demanding that foreign service companies train and employ local people or that they provide benefits to local communities affected by the service.⁶ And, with respect to entry into Europe, even of highly-skilled ACP professionals, the EU would confront them with a long list of requirements, which would undermine the potential gains of their entry.

Technology Transfer: The strict intellectual property rules, under the initialed EPAs, will undermine ACP countries' access to knowledge. In other words, talk about transfer of technology in the EPA is not serious.

In summary, Jones is saying that the current deals strip ACP countries of some of the very tools they need to develop, kicking away the kind of development ladder that countries across the globe, including many in Europe, have used to build their own mature economies.⁷ The anti-development nature of the EPA can also be seen in the content of the interim agreement between Ghana and the EU.

Ghana's IEPA with the EU

Several studies agree that the IEPA is not in Ghana's overall interests, and in some cases, the terms are even worse than similar agreements between the EU and other countries, like Kenya, which are at par with Ghana with respect to development challenges. More specifically, Third World Network-Africa (TWN) has provided a useful analysis of Ghana's IEPA to show, not just how bereft of development-content the EU's deal is but also, that it threatens West African regional integration. According to TWN, the interim agreement...

... commits Ghana to liberalise an overwhelming proportion of its imports from the EU ... without clarity as to how even the stated objectives of the IEPAs can be met by Ghana; and with provisions that go way beyond the proclaimed objectives of the IEPAs.

In addition, on issues that remain to be negotiated at ECOWAS level, the agreement commits the Government to an approach which is biased towards the European Union ... issues ... which are still controversial, and ... do not lie in the hands of Ghana alone, but with the entire West Africa region.⁸

The rest of this section provides a brief overview of the content of Ghana's IEPA, as reported by TWN.

a) Elimination of Customs Duties (Article 13):

The interim agreement commits Ghana to eliminate tariffs on 80 per cent of goods imported from the EU. Considering the fact that 40 per cent of Ghana's world-wide imports come from Europe, Government revenue from import duties on European goods will be substantially reduced, resulting in budget deficits and limited resource allocations to critical social sectors, including education and health.

b) Rules of Origin (Article (4):

The IEPA has introduced new difficulties into the EU's already stringent rules of origin. For example, the new rules allow cumulation only with countries that have signed IEPAs. Thus, in the ECOWAS region, Ghana can only cumulate with Cote d'Ivoire; and Ghanaians may not use tuna caught from Togo or elsewhere to produce canned tuna for export to the EU! In other words, the IEPA has the effect of limiting Ghana's and Cote d'Ivoire's market access to the EU.

c) Most Favoured Nation (MFN) Treatment (Article 17);

Under the MFN, the IEPA commits Ghana to automatically extend to the EU whatever more favourable concessions it offers to its major Global South trading partners. This will undermine Ghana's South-South cooperation initiatives with these countries as well as its interest to diversify trading partners, which has become even more crucial in the current global crisis. And, on the other hand, Ghana will gain nothing from the EU's reciprocal MFN treatment since it already enjoys 100 per cent entry into the EU market.

d) Elimination of Export Taxes (Article 18):

Even though elimination of export taxes was never part of the EPA agenda, in the IEPA, Ghana is committed to give up its right to charge duties on exports. According to the agreement, the Government will not introduce new export duties, nor will it raise the current ones to a higher level. This can only be varied in emergency conditions, and only after consulting the EU!

In other words, in the IEPA, the Ghanaian Government has given up a policy which governments all over the Third World use when necessary to discourage the excessive export of locally produced materials in their raw form, so as to encourage value-added processing and export.

e) Sensitive Products:

The adequacy of Ghana's 20 per cent protection, which the liberalization of 80 per cent of European imports to Ghana implies, is questionable. TWN maintains that 60 per cent of Ghana's agricultural sector alone needs to be protected from liberalization. Thus 20 per cent would not be sufficient for the entire domestic economy, agricultural and industrial.

f) Standstill Clause (Article 15):

Ghana's IEPA includes a standstill clause, which means that no new customs duty on imports from the EU can be introduced, and those currently applied

cannot be increased. Moreover, Ghana's clause is unduly restrictive. Unlike others, for example the SADC or the Pacific IEPAs, where the clause applies to only that portion of trade meant to be liberalized, Ghana's standstill clause covers its sensitive list, i.e. the category of goods not meant to be liberalised, which undermines the value of the sensitive products list.

g) Development Support:

Even though the European Commission (EC) and the EU member states have promised to provide funds towards compensating huge losses arising from the EPAs, it is doubtful that such funds will be sufficient to cover the losses. The doubt is even more pronounced with the raging global crisis. Even though in 2005, the EU had promised 2 billion euros as Aid-for-Trade, the actual amount of additional money in that figure is said to be only 700 million euros, which is to be shared among 79 ACP countries, not simply for EPAs but for other international trade issues.⁹ It is important to emphasize that the development dimension of the EPA cannot be adequately captured by financial assistance from the EC.

h) Liberalisation of Services and Investment (Article 44):

Ghana's IEPA also has provisions on issues that are not related to trade in goods, including issues of investment, competition, intellectual property, and services. It is important to stress that these issues are not required by the WTO for an EPA to be valid. Moreover, West African countries, including Ghana, were opposed to negotiating the issues; ECOWAS countries preferred to adopt their own regional policies on these issues before considering whether to negotiate them as part of the EPA.

i) Rules of Dispute Settlement:

ACP governments, including Ghana, differ from the EU's demand for a dispute settlement procedure based on trade sanctions. However, in the interim

agreement, Ghana accepted the EU's view that the agreement will be ultimately enforced through compensation or 'appropriate measures', a phrase that is just a euphemism for trade sanctions. It is clear that this approach to dispute settlement reflects the inequality in the bargain, as Ghana lacks the capacity to apply reciprocal sanctions on the EU.

j) Regional Integration:

The EC's determination to negotiate interim agreements with individual countries undermines the very same regional approach that has been adopted to the EPA, and which the EU has itself insisted was the aim of the EPA. The processes and contents of the IEPAs threaten Ghana's interests within the West African region as well as the region's own integration scheme.

Ghana's signature and ratification of the IEPA will make it a free trade area with the EC, and a source of duty-free European goods into the ECOWAS region. Nigeria, which constitutes close to 60 per cent of the West African regional market, may decide to prevent such EU goods from entering into its market by banning goods from Ghana and other West African countries with similar agreements. That action will affect a range of Ghanaian products for which Nigeria is the main or only market, including pharmaceutical products, mosquito coils and nets, pasta, and furniture. If this happens, it will gravely impact on Ghana's economy, which cannot survive without the Nigerian market, if it has to deal with Cote d'Ivoire instead.

In summary, the very nature of the interim agreement has confirmed all the concerns expressed in informed quarters about the fundamentally anti-development nature of the EPAs. And the claims of the EPA as being supportive of regional integration and development have been debunked. The IEPA exposes the relative weakness of West African countries vis-à-vis the EU and the EU's ability to use the agreements to serve its own interests (security of

raw materials and market outlets) at the expense of the development needs of Ghana and other West African countries.

If we now place West Africa's weakness in the EPA in the context of the current global crisis of Western capitalist greed and recklessness, whose negative impacts are even more grievous in Africa, it will be clear that West Africa's chances of fostering development are likely to be pushed back several decades, if certain strategic measures are not taken urgently. The next section puts in perspective some of the implications of the global economic crisis for a raw material-exporting African country, like Nigeria, that is also party to the EPA process.

EPAs in Context of Global Economic Crisis

The implications of the global economic crisis can be viewed from the perspectives of several sectors in the Nigerian economy:¹⁰

The Industrial Sector:

Even before the global crisis, Nigeria's industrial sector had been constrained by several problems, including infrastructural decay, high cost of production, high interest rates, etc. With the global financial crisis, the industrial sector's problems are being compounded by the depreciating value of the Naira in the foreign exchange market, rising interest rates, rising cost of diesel and other fuels to power generators, etc. This is making it difficult for operators in the sector, which is highly import-dependent, to produce standard-quality and competitive-goods.

One of the critical issues in the EPA negotiations is the fact of the incapacity of ACP countries in the area of supply-side response and the need for them to develop it in order for them to gain some of the benefits from EPA. The

global financial crisis will compound Nigeria's supply-side, incapacity to produce goods and services that can effectively compete in the global market.

The Agricultural Sector:

Africa's dependence on Europe for agricultural imports is huge. In 2007, 30 per cent of West Africa's agricultural imports came from Europe, an increase of 13 per cent from 2006. Nigeria's imports of agricultural products from the EU have continued to grow, from about \$811 million in 2003 to about \$860 million in 2008. Since the global economic crisis, the EU has resumed its export subsidies to support its farmers. The heavy subsidization of the EU's agricultural products and their adverse effects on African agriculture and food security is still a very contentious issue in EPA negotiations.

Primary Resource Export Sector:

The common characteristic of ACP countries is that they are net raw materials exporters; that their narrow line of exports go mainly to Europe; and that there is a very insignificant intra-regional trade within their regions. The global economic crisis will force a change of habit in the raw materials consuming countries in Europe and thereby complicate the already vulnerable position of raw materials exporting countries. This underlines the imperative of: diversifying the production and export baskets, value-added production, strengthening production for regional markets, and increasing exports to emerging markets, such as China, India and Brazil, which are still growing despite the global crisis. However, EPAs are, for ACP countries, essentially against export-markets diversification, as they are meant to deepen trade with the EU. To reiterate, the MFN clause effectively obstructs future products diversification with existing and regional markets, since ACP countries are obliged, under this clause, to extend to the EU whatever additional terms they offer to other trading partners.

Government Revenue:

The Nigerian economy is heavily dependent on foreign trade, particularly crude oil exports, for government revenue and foreign exchange earnings. As a result of the recession and the crashing of the price of crude oil, the reduced global demand for oil has had negative impacts on government finances in the areas of domestic revenue from oil and foreign exchange earnings. Because of the expected shortfall from oil revenue this year, a huge budget deficit of N1.09 trillion, or 3.95 per cent of gross domestic product (GDP) was projected in the 2009 Federal budget. This dwindling finance is affecting government spending, which suggests that the recessionary effect on the rest of the economy is going to be significant.

The financial crisis has also exposed the fragility of African governments' financial base. EPA's rapid and drastic liberalization schemes will weaken the already fragile basis of the budgets of African Governments. Under EPA, Nigeria was expected to lose almost \$480 million in tariff revenue in 2008. This amount to some 42 per cent of total tariff revenue and 30 per cent of total non-oil revenue.¹¹ This would lead to drastic reductions in public sector spending or an increase in the level of taxation, two unpopular policy options.

The Financial Sector:

In the last few years, there has been a growing internationalization of the financial sector in Nigeria following the liberalization measures of the late 1990s. Against the backdrop of the oil boom and high returns, portfolio investors were attracted to the Nigerian capital market. Since the bank consolidation exercises, some of them have developed strong links with the global financial system through borrowing from abroad and investment in

Nigeria. But with the global economic crisis, there has been a rush to withdraw funds by several foreign banks/financial institutions that extended credit to Nigerian banks and businesses. Capital flight, which has compounded the downturn in the capital market, has intensified. And there has been a reduction of confirming lines by foreign banks to their Nigerian counterparts.¹² In order to minimize the impact, some Nigerian banks have adopted stringent and austere measures.

It is encouraging that financial services have yet to be negotiated by African countries in the context of the EPA. The call for caution is, therefore, wise. Europe seems more interested in liberalizing financial services than in building and strengthening regulatory capacity.

Macro-economic Performance:

The global economic crisis is already having far-reaching effects on Nigeria's macro-economic variables. With respect to growth, while experts believe that the economy may not go into recession this year, it may experience significant contraction since the high growth rates recorded in the past few years may slow down significantly. In other words, it would seem that the Government's growth projections (7.5 to 8.9 per cent) in the 2009 Federal budget are not realistic.¹³

There is also the possibility of balance-of-payments crisis and currency/exchange rate crisis. Portfolio investors have been forced to liquidate their funds. The stock of foreign exchange reserves has dropped, from \$60 billion in 2008, to \$50 billion. Following the shortfalls in foreign exchange earnings and supply, along with capital flight, the Naira has, since December 2008, been experiencing continuous pressure in the foreign exchange market.

Inflation and interest rates are likely to continue their upward trend from 2008, considering the effects of the exchange rate depreciation and the financing of fiscal deficits.

One recent study reports that the International Monetary Fund (IMF) suggests that around 30 per cent of low-income countries could be considered highly vulnerable to the consequences of the global financial crisis, that about 50 per cent of them are in sub-Saharan Africa, and that the majority of them face sizeable declines in projected GDP, some in excess of 5 per cent. About 60 per cent of the countries, more than half of them from sub-Saharan Africa, are also found to be highly vulnerable to the simulated shock (reduction in remittances, foreign direct investment, aid). Of the African case studies, Kenya and Uganda were ranked low in the vulnerability table; Nigeria and Benin are of medium level vulnerability; while Ghana and Zambia were ranked as highly vulnerable.¹⁴

As the global economic crisis rages across the African continent, Governments continue to negotiate EPAs with the EU. We should now verify the implications of the EPA for Nigeria.

Implications of EPA for Nigeria

The potential cost impacts of the EPA on the Nigerian economy will be heaviest in the short-term. The efficiency effects of liberalization may only begin in the medium to long-term. Theoretically, the only likely short-term benefits to Nigeria would be in terms of increase in its exports to the EU, assuming the EU further opens its markets to imports from Nigeria. But this is not likely for two reasons. First, under the MFN clause, 95 per cent of Nigeria's exports to the EU already attract zero per cent duty; and even with the recent down-grading of Nigeria's status to GSP, only its exports of tuna will attract

20%+ duty in the EU’s market. Second, Nigeria cannot, in the short-term, resolve its very serious export supply response capacity constraints to be able to take full advantage of all possible new or existing market access opportunities from the EPA.

The impact assessment study on the implication of the EPA for Nigeria suggests that it will experience significant erosion in tariff revenue if it implements the degree of import liberalization that the EPA calls for.¹⁵ It was estimated that the loss would average \$478.0 million in 2008, and, in the long-run, fall to an average of \$341.0 million in 2020.

Table 1
Revenue Effects of EPA Trade Liberalization
Under Different Scenarios (using a partial equilibrium model)
Million USD

Scenario/Year	2008	2012	2016	2020
1. ‘Social/Agriculture’	449	407	366	324
2. ‘Tariff Revenue’	401	366	332	296
3. ‘Highest Tariff’	585	524	463	402
Average	478	433	387	341

Source: Chibuzo N. Nwoke, et. al, *Impact Assessment of EPA on Nigerian Economy, Government of Nigeria: Capacity Building in Support of Preparation of Economic Partnership Agreement* (Reading: Enterplan, 2005).

That translates to an average loss of about 42 per cent of tariff revenue for the Government, representing about 3 per cent reduction in total Government revenue. This apparently small reduction in total government revenue could have a relatively large cumulative effect on government’s capacity to manage the budget without causing damaging effects on the economy and social welfare. Infact, the impact of tariff revenue loss would be quite significant on the economy because it alone would constitute 39 per cent of total non-oil revenue.¹⁶

Costly and painful policy options to compensate for this revenue loss would include fiscal policy reform and mass retrenchment. Another possible consequence of revenue loss from the EPA on the Nigerian economy is that, at least in the short-run, if alternatives are not found to compensate for the loss in government revenue, government expenditure will have to be reduced, resulting in losses in sectoral output as well as increased poverty, hardship and general welfare loss. The two options hold very negative consequences on social and economic infrastructures.

Looked at in comparative terms, Nigeria alone will account for over 21 per cent of an estimated aggregate revenue loss of over \$2 billion that will be incurred by the four African EPA regions in the first year of the EPA's implementation.¹⁷ The sharp increase in EU imports to Nigeria that would result from discriminatory and preferential import liberalization in the EU's favour is expected to lead to significant trade diversion (a loss of about \$173 million), away from cheaper non-EU sources. Again, Nigeria alone will account for over 22 per cent of the estimated aggregate EPA-induced trade diversion of \$770 million among the four African EPA regional groups.¹⁸

With the EPA, the Nigerian economy is likely to suffer short-term costs, in terms of output and employment losses, as increased imports impose competitive pressures on previously protected sectors of domestic production. Trade liberalization will further reduce capacity utilization in the manufacturing sector and deepen the de-industrialization process as a result of the influx of imported products.

The welfare impact of this situation can be quite negative on the Nigerian economy, which is already characterized by severe unemployment crisis and pervasive poverty. The unemployment crisis will deepen as firms lay off workers and/or shut down operation due to poor sales and lack of

competitiveness of their local products. And the final death blow to the hitherto fledging small and medium scale enterprises, which, otherwise, would have been a viable option for redressing the choking unemployment crisis would have been delivered.

The full implementation of the EPA, as currently designed, makes minimal demands on the EU in terms of market access concessions, especially since the ACP countries account for an insignificant proportion of the EU market. In other words, under the EPA, there will be limited tariff cuts by the EU.¹⁹

Thus, the implementation of the EPA is unlikely to impose any significant adjustment costs on the EU; rather, the EU will gain significantly in terms of its share of ACP imports and in terms of increases in EU imports by Nigeria and other participating EPA countries.²⁰ In fact, with respect to Nigeria alone, it was estimated that the EU's trade gains, arising from the implementation of the EPA, would have been worth about \$791 million in 2008,²¹ about 20 per cent of the EU's aggregate trade gain of about \$4.1 billion in all the four African regional EPA groups in the same period. Thus, the EU's trade gain of \$791 million from Nigeria alone would have been more than 200 per cent what it would have gained from the entire SADC group (\$350.7 million), 87 per cent more than it would derive from the CEMAC group (\$695.3 million), almost 70 per cent of its gain from the entire ESA group (\$1151.7 million), and as much as 42.4 per cent of the total it would gain from the entire West Africa group (\$2290 million). The implication is that, in relative terms, Nigeria may end up bearing virtually all of the burden of adjustment, while the EU will capture all the benefits, arising from Nigeria's participation in the proposed West Africa-EU EPA initiative.

Furthermore, Nigeria's imports from the EU will increase by over \$600 million at the expense of Nigerian manufacturers; so the EPA will aggravate the Nigerian economy's already excessive dependence on European goods; the economy will, therefore, unwittingly be sustaining jobs in Europe, the origin of Nigeria's excessive imports; and the unemployment crisis in the country will, thereby, be deepened.

Above all, the implementation of the EPA, especially at the pace being pushed by the EU, will strain Nigeria's financial and administrative resources and capacity, and divert attention away from basic and indigenous development plans.

Over the past five years, Nigeria's raw and semi-processed agricultural products exports have represented, on the average, 81 per cent of its total non-oil exports. Under the EPA, the EU's export subsidies to its farmers will give the EU agricultural products a huge price advantage (*vis-à-vis* Nigeria's agricultural exports), and cause production and trade distortions for Nigerian exports. The EPA's reciprocal trade measures will also facilitate dumping of the EU's agricultural products in Nigeria.

Nigeria's main agricultural products to the EU include cocoa beans, rubber, fish (tuna), shrimp, and cotton. The semi-processed products include processed skins, cocoa products and textured yarn. Since December 2007, when Ghana ratified an interim EPA, most Nigerian cocoa beverage factories have been moving to Ghana. By March 2008, capacity utilization in Nigeria's beverage factories that utilize cocoa inputs had dropped to below 40 per cent, from 60 per cent in December 2007. Over 5000 workers that are employed in the remaining but fledging factories are, therefore, under risk of losing their jobs.²²

The EPA maintains Nigeria as a raw materials exporter. By offering zero duty on cocoa beans, the EU encourages cocoa exports from Nigeria only in its raw form. As a result, local processing factories now pay higher prices (than their terminal prices in Europe) for cocoa beans produced in Nigeria. The new investment of ₦40 billion in cocoa processing factories in Nigeria is, therefore, under threat of not yielding profits.

In sum, the economic partnership agreement between the EU and ACP countries is a neo-liberal reform agenda, which the EU claims will address poverty eradication, sustainable development and integration in the ACP regions. But, with respect to Nigeria, this section has reinforced the arguments of previous sections that the EPA's claim to development is an illusion. As the next section shows, the EPA's claim to being a facilitator of regional integration is also an illusion.

Regional Disintegration & Nigeria's Role in Renewed EPA Negotiations

The EU's EPA approach, which claims to combine the agenda of external trade liberalization with the promotion of regional economic integration in ACP countries, raises a number of critical questions, which must be highlighted to show that EPAs are really anti-integration in Africa.

First, it is necessary to correct the wrong impression that the EU, through the EPA, is initiating the processes of regional integration in Africa. Before EPA, several patterns of regional economic integration had been experimented with in Africa. Since the decolonization period in Africa, one or more regional economic blocs have been built in each of the sub-regions in the continent. There are close to fifteen regional economic blocs in the continent, though sometimes they overlap and differ widely in the length of time they have been

in existence and in their aims. What is missing in Africa's regional integration process is mutual solidarity, the pattern of integration practiced in Latin America under Venezuela's lead.²³

Second, the EPA negotiating process has seriously disrupted previously existing regional economic blocs, as there is no coincidence between EPA-alignments and pre-existing regional combinations. The EPA configurations (ECOWAS, CEMAC, ESA, SADC) refer to the negotiating groups as agreed with the EU. But they are not consistent with the regional blocs of the same name. For example, Mauritania, which is no longer an ECOWAS member, is included in its negotiating bloc; while the SADC bloc does not include all members, such as South Africa, of the original SADC group. In fact, the original SADC group has its 13 members split between three different EPA negotiating blocs. And the ESA, the EPA negotiating group of Eastern and Southern African states, is a new bloc formed by the EU, i.e., without any pre-existence.

From the perspective of Africa's colonial history and its tragic experience of the formation of dependent states with arbitrary boundaries by European powers, the reckless reorganization of the continent into EPA-regions was certainly insensitive to the sensibilities of the African peoples. And it threatens the autonomous dynamics of trade and production integration, which African states have themselves been developing over the last several decades.²⁴

Third, the unnecessary pressure of the December 2007 deadline to sign EPAs had led to the further fragmentation of the EPA negotiating blocs, making a mockery of regional integration objectives and resulting in widely differing texts. All of the African EPA texts are different; only in one region, the EAC, does more than one country have the same commitments as the others. And in West Africa, Cote d'Ivoire and Ghana have significantly different texts with different liberalization commitments.²⁵

Moves to get a common external tariff (CET) would be frustrated if their IEPAs are not changed, or discarded. An EPA that seeks to support and build upon regional integration in West Africa can only be feasible after the harmonization of the trade regimes in the region through the adoption and full implementation of a CET and transformation of ECOWAS into full-fledged customs unions.²⁶

Fourth, in an EPA regime where countries individually decide on which items to exempt from liberalization in the course of negotiations with the EU, there is a risk that collective policies within African regional blocs will be further undermined. There is also the risk that the country that has opened its borders to a particular cheap European product would become the ‘springboard’ for the import of the same commodity towards other countries in the same EPA region. This was the effect of the free trade agreements signed by the US with countries of the ANDEAN region in Latin America.²⁷

Fifth, with the EU’s trade liberalization agenda, the importation of cheaper European commodities (that can also be produced in Africa) will negatively affect goods that have intra-regional trade prospects in the continent, and will disrupt the efforts to build regional markets around African agricultural and industrial commodities. The example of the export of European tomato concentrate towards Senegal and other West African countries, following the liberalization of imports by those countries is illustrative. Not only did its impact disrupt the production of tomato and of tomato concentrates in Senegal in a dramatic scale, the liberalization also severely affected Senegal’s attempt to build a regional market around its specialized and processed agricultural commodity. In other words, an external trade liberalization agenda that was designed mainly to serve the EU’s export interests will be severely disruptive of

intra-regional trade and economic integration within the West African region itself.

Given Africa's huge problems of poverty and degradation, the continent cannot afford any further disintegrative setbacks. This, in fact, is Nigeria's stand point in the EPA negotiations, and the Government has, therefore, made several sacrifices to endeavour to keep the West African integration process intact.

Nigeria has an important role to play in the renewed EPA negotiations, especially in ensuring the active participation of all ECOWAS countries in developing a mutually acceptable regional position on critical issues before these are negotiated with the EU. Despite its state of underdevelopment, Nigeria has good credentials to play this role that nature has bestowed on it. With almost 150 million in population, it constitutes about two-thirds of the West African market. Nigeria championed the formation of ECOWAS, bears most of the weight of its funding, and has led the fast-tracking of the regional integration process. With the strongest industrial and investment base in the sub-region, its budget is internally-generated. Ninety-eight per cent of the banks in Nigeria are indigenous. With an impressive human capital base, it is also hugely endowed with the wherewithal for economic diversification, including petroleum, natural gas, solid minerals and agricultural commodities. Above all, the country's regional power has been globally acclaimed, especially in the area of regional security and conflict resolution.

With particular reference to the EPA, Nigeria has taken the lead to propagate a bottom-up approach in the negotiations process by bringing on board all the stakeholders, civil society, manufacturers, traders, farmers, the vulnerable constituencies, etc, in the decision-making process in the negotiations. This internal dynamic was exemplified in the process of the

identification of Nigeria's sensitive products and several sensitization workshops across the country since 2005.²⁸

In the debates over the region's CET, Nigeria provided needed protection of the region by proposing an alternative 5th tariff band of 50 per cent and also made the sacrifice of reducing its 120 per cent tariff level to as low as 35 per cent. All of this is to keep the West African regional integration process intact and progressing.

After Ghana and Cote d'Ivoire succumbed to separate interim agreements, the unity of the West African regional EPA focus was in doubt. Nigeria took the initiative to convene a meeting in Accra with the two countries, in the presence of ECOWAS officials, to douse the tension. Acrimonies were set aside and member countries returned to the negotiating table.²⁹

Because Nigeria refused to sign the EPA, its exports to the EU now come under the standard GSP arrangement, which entails higher tariffs. Even though the Nigerian Government has twice applied to be placed on the GSP+ status, the EU has rejected the applications purely for political reasons.³⁰ In the interest of West African stability, Nigeria has continued to live with the loss arising from that status. For Nigeria, this short-term loss is a worthwhile sacrifice to keep West African unity intact.

Above all, Nigeria has been championing the cause of a development-oriented EPA in West Africa. Towards that end, it is advocating for the inclusion of development benchmarks and indicators in the ECOWAS EPA text. As directed by the ECOWAS Ministers during the Nouakchott Ministerial meeting in February 2008, Nigeria is adequately providing the required leadership for ECOWAS to achieve a pro-development EPA.

Towards a Development Focus in EPA

The current global economic crisis of neo-liberal capitalism underscores the need for EPAs to be not only development-oriented but also to provide maximum policy space for African countries to realize their developmental aspirations. While the crisis needs a global solution, there is no doubt that a solution that will respond to Africa's concerns and interests requires that the continent speak with one strong and united voice within the international community, and in international trade negotiations. The African Union Commission has indeed developed a template that will be used as a guide by African countries and regions in the negotiations of full and comprehensive EPAs.³¹ But the most practical and intellectually sound approach for African countries to realize their development interests in the EPA is the use of development benchmarks, which are pegged to their phased liberalization schedules. This approach is being championed by the South Centre.³²

Nigeria has adopted the benchmarking approach in its effort to influence a pro-development EPA text in the ECOWAS region. Before discussing the ingredients of Nigeria's benchmarking approach, it is important to note a number of basic principles surrounding the idea of benchmarking the EPA.

Basic Principles in EPA Negotiations

- Maintain maximum autonomy and policy space. West African countries must not be intimidated out of their interests; they must engage actively and fully in the EPA negotiations and solely on the basis of carefully identified interests, in terms of which all offers from negotiating partners should be assessed and responded to.
- Integrated and coherent trade policy. It is important that the various dimensions of West African countries' trade policies be integrated in

internally coherent manner. For example, Nigeria's unilateral trade policy measures must be taken within the constraints of its legally-binding commitments in the context of other bilateral, regional and multilateral trade agreements.³³

- Re-examine consistency of neo-liberalism with development aspirations. EPAs are anti-development, free trade, agreements that are an integral part of the EU's neo-liberal external trade policy, aimed at dominating emerging markets and global sources of natural resources. How does this support West Africa's development plans?
- Negotiators must be highly qualified professionals. ECOWAS negotiators must be drawn from several fields, including law, economics, political science, agriculture, etc, who must ensure that every agreement is consistent with their countries' development interests and priorities.
- Reject EU's Aid-for-trade Deal. It is expected that West African countries' supply-side response capacities would have been developed as a pre-condition for entering the agreements. There should be no need for an aid-for-trade deal, which will only erode West Africa's policy space.
- Reject new issues in EPA. The new issues (services, intellectual property, competition, etc) are beyond the requirements of WTO's Article 24 with respect to compatibility with regional trade agreements. These issues would be more suited when West African countries would have grown and can compete and negotiate from a stronger position.³⁴
- Reject other Anti-Article 24 Provisions:³⁵
 - Most Favoured Nation Clause. This clause, which makes it mandatory for African countries to offer to the EU what they offer to another major country under the EPA regime, will work against regional integration and the promotion of South-South trade.

- Standstill Clause. With the EPA, this clause disallows new customs duties to be applied, or existing ones to be raised (even for sensitive products). This could prevent African countries not just from industrializing but also from increasing their domestic agricultural production.
- Retain export taxes and duties. While the WTO allows countries to impose export taxes and duties, the EU rejects them because it wants unhindered access to Africa's raw materials. Export taxes and duties are important to African economies' efforts at diversification and value-addition.
- Introduce better safeguard measures. The safeguards in the IEPA are not strong and protective enough. African countries should insist on bilateral safeguards in the EPA that kick in automatically, without waiting for EU's approval; and that allow countries to raise their tariffs beyond the Uruguay Round rate, which is what the EU currently enjoys in the WTO's Special Safeguard Provision.³⁶
- Introduce a more proactive infant industry clause. The current EPA infant industry clause is reactive in that it is only limited to a situation where injury has occurred or is threatening to occur. A more proactive infant industry clause is, therefore, needed to allow African governments impose additional duties on imported goods that would displace their infant industries. The infant industry clause should be ongoing, i.e., it should not expire, since countries will always have infant industries that need protection.³⁷

Nigeria's Development Benchmarks

The overarching idea behind benchmarking the EPA is to strategically order ECOWAS tariff reductions in carefully-planned phases linked to the attainment of pre-determined development indicators, instead of Europe's pre-determined time-tables. In other words, ECOWAS countries will begin and continue with tariff reductions only if the set benchmarks, which reflect their stage and level of development, are attained. The attainment of set levels of development will better equip them to meet the challenges posed by free trade with the EU.

The liberalisation schedule being proposed by Nigeria is in three phases.³⁸ It will start 10 years after the entry into force of the EPA, with a first-five year moratorium period. In phase 1, in the first-five years, there will be elimination of 20 percent tariff lines. In the second phase of five years the total tariff lines to be liberalized is 50 percent. And in the third phase of ten years, the total tariff lines to be liberalized are 60 percent. Table 2 summarizes the recommended benchmarks for the three phases.

Table 2
Development Benchmarks for EPA Negotiations

Benchmark	Phase I	Phase II	Phase III
	Five years, after five years moratorium. 20% tariff lines liberalized	Five years. 50% tariff lines liberalized	Ten years. 60% tariff lines liberalized
GDP (volume and growth rate)	15% reduction of the EU/ECOWAS GNP gap	Another 20% reduction of the EU/ECOWAS GNP gap	Another 25% reduction of the EU/ECOWAS GNP gap
Poverty Reduction	Gap between poverty ranking of ECOWAS and EU reduced by 10%	Gap between poverty ranking of ECOWAS and EU reduced by 10%	Gap between poverty ranking of ECOWAS and EU reduced by 20%
Reduction of unemployment in EPA-liberalized sectors	Compensate for 50% employment loss due to liberalization	Compensate for another 50% employment loss due to liberalization	Compensate for 100% employment loss due to liberalization
Trade share	10% reduction in gap between ECOWAS and EU share of the world trade	15% reduction between ECOWAS and EU share of the world trade	20% reduction between ECOWAS and EU share of the world trade

(Table 2 Contd')

Import concentration		ECOWAS share of imports from EU should not exceed 25% of its combined imports from EU and other African countries	ECOWAS share of imports from EU should not exceed 15% of its combined imports from EU and other African countries
Export diversification	Not more than 65% of ECOWAS total exports to EU market should come from ECOWAS' 5 highest sectors into EU; not more than 50% of its total exports to EU market should come from its 10 highest exports.	Not more than 65% of ECOWAS total exports to EU market should come from ECOWAS' 10 highest sectors into EU; not more than 50% of its total exports to EU market should come from its 15 highest exports	Not more than 65% of ECOWAS total exports to EU market should come from ECOWAS' 15 highest sectors into EU; not more than 50% of its total exports to EU market should come from its 20 highest exports
Export growth	Double the level of ECOWAS export to EU.	Double level of ECOWAS export to EU from last phase	Double level of ECOWAS export to EU from last phase
Per capita manufactured export	Reduce gap between ECOWAS per capita manufacture export and EU's by 15%	Reduce gap between ECOWAS per capita manufacture export and EU's by 20%	Reduce gap between ECOWAS per capita manufacture export and EU's by 25%
Agriculture production of tradables	ECOWAS should have doubled production of agriculture tradables, requiring processing, marketing, distribution and transport facilities.	Food security achieved; more than double production of tradables from last phase	Food security sustained; further increase agricultural production by 50%.
Food security	ECOWAS to double proportion of food consumption produced domestically. Reduce by 50% proportion of undernourished population.	Double proportion of food consumption produced locally. Reduce by 50% proportion of undernourished population	Double proportion of food consumption produced locally. Maintain zero level of undernourished population.
Infrastructure development: Energy; Roads; Communications	Reduce gap between the level of ECOWAS infrastructural development and the average of middle income countries by 50%	Reduce gap between the level of ECOWAS infrastructural development and the average of middle income countries by 100%	Reduce gap between the level of ECOWAS infrastructural development and the average of middle income countries by 70%
Human Capital	Reduce gap between level of human capital formation in ECOWAS and EU by 20%	Reduce gap between level of human capital formation in ECOWAS and EU by 30%	Reduce gap between level of human capital formation in ECOWAS and EU by 20% from last phase.
Human Development Index	ECOWAS should have moved into medium HDI ranking	ECOWAS should have moved to upper end of medium HDI ranking	ECOWAS should have moved into high Human Development ranking.
Development Index	The economic size of ECOWAS should be 20% of EU.	The economic size of ECOWAS should be 50% that of EU.	The economic size of ECOWAS should be 75% of EU.

*Measured by per capita Gross National Income and per capita value of manufactured exports of the EU.

Source: Adapted from Mike Kwanashie, "Benchmarking EPA between EU and ECOWAS", paper presented at EPA sensitization workshop, organized by NANTs, 13-14 August, 2009, Abuja.

In summary, in view of the appalling state of underdevelopment of ECOWAS countries, the benchmarking approach to the EPA is sound strategic thinking. The well-articulated benchmarks are directly relevant to redressing most of the development concerns about the EPA. For example, the various phases of the liberalization schedule are predicated on reducing the GDP and poverty gaps between both parties. Since the issue of market access is central in EPA, the benchmark ties the liberalization process to the attainment of the reduction of the gap in the shares of ECOWAS and EU in world trade.

Furthermore, the benchmarks seek to redress some of the critical dependency problems of West African countries, including concentration of imports and exports on a few EU markets to the detriment of West African producers and African markets. It also captures the need to shift from primary products to manufactured exports, which is critical if West African countries are to move into the mainstream of global trade. It also encourages the growth of small and medium-scale enterprises in ECOWAS, and expects EPA to facilitate enough investment to sustain the growth of industries.

The benchmarking aims to narrow the gap between the EU and ECOWAS in agricultural productivity and to ensure sustainable food security. One critical element in the benchmarking is improvement in infrastructure, which is needed to make ECOWAS economies more competitive, by lowering their cost of input factors in the production process and improving their productivity.

The benchmark also addresses the enhancement of human capital development in the ECOWAS region; the need to close the gap between ECOWAS' Human Development Index and the EU's; and referencing EPA to the economic size of West African countries.³⁹

For West African negotiators, an important precedent condition for the signing of the EPA is the joint definition of EPA support measures and their financing by the European Commission. This had been agreed to by West Africa's and the EU's Chief Negotiators at a meeting held in Brussels in February 2007.⁴⁰ But the position of this paper is different. Dependency on the EU for such support measures will threaten the value of maintaining policy autonomy in the negotiations.

The time-line for the various liberalization regimes are determined by the ability of ECOWAS countries to attain the set benchmarks. Within the moratorium period of five years, it is expected that ECOWAS would have met the basic preconditions for a successful EPA, including addressing supply-side constraints that diminish its strength in the negotiations. In the course of the agreement, if the ECOWAS region no longer meets the benchmarks listed for a given phase, it will immediately discontinue its liberalization process and modify its customs duty commitments accordingly.

At the end of each phase of the agreement, there shall be comprehensive reviews of the impact of the EPA on the ECOWAS economies, and the level of compliance with the set benchmarks shall be ascertained. This monitoring task will be assigned to a joint ECOWAS/EU body that will report through the EPA Implementation Committee to both ECOWAS and the EU.⁴¹

Concluding Remarks

The EPAs are far apart from the original development agreements envisaged by ACP countries in the context of the Cotonou Agreement. For West Africa, the major challenge in its negotiation of the EPA with the EU is to have an agreement that addresses the region's longstanding condition of poverty and underdevelopment. In order to accomplish this, the EPA must be

made to be not just a trade agreement but also a development strategy to pull the people of West Africa from abject poverty to respectable human development index.

This paper accepts that the logical and fair way to achieve this objective is to benchmark EPAs with clearly-defined development indicators. In other words, if signed, the agreement will only continue if defined levels of development are attained at given periods by West African countries. Moreover, there will be a transitional period of 25 years within which they should develop their supply-response capacities, which will prepare them to effectively participate and compete under the rules of the global trade regime. For West African countries, the challenge is to provide the administrative, technical, financial, and human capital resource necessary for the effective implementation and monitoring of the benchmarks. The challenge to the EU is to embrace the benchmarks and demonstrate goodwill towards a fair deal that will ensure development in West African countries. It is in EU's interest to do so. Its importance to ACP countries is waning, with the rapid growth of several emerging markets as alternative sources of investment and trade. This is, therefore, the wrong time for West African countries to lock themselves into bad deals, such as the IEPA with the EU represents.

Endnotes

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