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Economic Commission for Africa

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AD-HOC EXPERTS GROUP MEETING

Theme:

**Impact of the Implementation of the ECOWAS -CET and Economic Partnership Agreements (EPAs)
by the EU on the Dynamics of the Integration Process and the Structural Transformation of West
African Economies**

16-17 May 2017, Ouagadougou, Burkina Faso

CONCEPT NOTE

1. Background and justification

Since 2002, the European Union (EU) and West Africa (WA - 16 countries) have been negotiating an Economic Partnership Agreement (EPA). This free trade Agreement was intended to replace, and so, since 1 January 2008, the non-reciprocal preferential scheme granted to African, Caribbean and Pacific (ACP) countries following the Yaounde Conventions (1967-1974) and the Lome Agreements (1975 - 2000). Having been challenged by non-ACP developing countries, this preferential scheme was deemed non-compliant with World Trade Organization (WTO) rules. Hence, it was decided that this Agreement be replaced with regional EPAs.

The EPA negotiations centred on the signing of an agreement which authorises ACP exports to enjoy duty-free access into the European market together with quotas for all products, with the exception of rice, bananas and sugar. In return, ACP countries would open a duty-free market for the “majority” of their imports. As a likely impact, this opening would inevitably imply drop-in customs revenue (which for WA is a very important source of government revenue). Also, it would inevitably open the way for stiff competition between EU imports and African local productions (CTA, 2010).

It is important to state that West Africa is the main ACP sub-region, considering its important trade dealings with the EU (about 40% of ACP-EU trade dealings) and the EU is the main trading partner of West Africa (37.8% of exports and 24.2% of imports in 2014). With this in mind, a change in trading policy is strategic for the future of West African economies. The agricultural and food sectors are an important part in trade between these two regions (17.5% imports and 13.1% exports in 2015) and involves the majority of the population (between 60% and 85% of the overall population is rural, with the exception of Cape-Verde where it represents 30%).

In addition, the 30th Session of the ECOWAS Conference of Heads of State and Government, held in Niamey on 12 January 2006, adopted a Common External Tariff (CET) for ECOWAS, which is in fact an extension of that which has been in force within UEMOA since 1 January 2000. However, this CET has major amendments (Mariétou et al, 2009). The implementation of the CET involves applying equal duties and taxes to the import of all products within the ECOWAS region, irrespective of their entry point and destination. The effective implementation of such measures would require that ECOWAS institutes a favourable tax environment for trade and investment between the different States, notably by harmonizing taxes on consumption and imports. For example, the creation of a Customs Union within WAEMU, that is through the Common External Tariff and the internal liberalization, translated into a simplified and substantial cut down on the nominal rates of port dues.

For experts on the regional integration process, full implementation of ECOWAS-CET will be considered as final step in the creation of a common market based on the free movement of persons, goods, services, capital and the right for persons exercising an independent or paid activity to establish their business within the ECOWAS region.

As a reminder, ECOWAS-CET nomenclature is structured into five bands: 0% for essential social commodities (health products, some cereals); 5% for essential commodities, raw materials, capital goods, (including fertilizers, farm equipment), 10% for intermediate products, 20% for consumer goods (finished goods) and 35% for specific goods necessary for economic development. The fifth band was adopted in June 2009, during the 36th Summit of Heads of State and Government with the aim of ensuring protection against a few possible threats to the products of the Community, leading to a possible application of EPAs.

After more than a decade, ECOWAS-CET negotiations and for an economic partnership agreements with the European Union were accelerated in 2014. CET was officially enforced on 1 January 2015. Its adoption by ECOWAS member States is a further step not only towards achieving the customs union but also towards harmonizing trade programmes (CEPOD, 2008). That notwithstanding, for the sub-regional interest group, full implementation of the ECOWAS-CET is a non-negotiable prerequisite to signing the EPA in West Africa with the EU.

At the level of negotiating EPAs, the latest version was finally approved by the Heads of State in July 2014 and a dozen of countries have already signed it. Yet, it should be noted that a broader consensus at the sub-regional level has still not been achieved for these two agreements (CET and EPAs). Hence, it is not certain that all the member States will effectively implement them. More specifically, some interest groups in Nigeria have opposed both the CET and the EPA, holding that these would have a negative impact on local producers and consumers (Antoine et al, 2015)

Based on some studies conducted in a few countries of the sub-region, some impact results on a possible implementation of the ECOWAS-CET and EPAs, at the national level as well as at the sub-regional level, are quite indicative of this.

At the national level, a study commissioned by the World Bank (Antoine et al, 2015), states that Nigeria's implementation of the ECOWAS-CET and EPAs with the EU should be beneficial. However, the benefits are limited as compared to a real agenda for competitiveness. In the short term, it is expected that there will be a decrease in customs revenue for countries that import products whose tariffs were reduced. But, such a fall is likely to be compensated by an increase in import volumes of these products if the drop in customs duty is reflected in retail prices. This neutralising effect should equally depend on how consumers react to a possible drop in retail prices. In the long term, unifying custom duties should lead to an increase in productivity, brought about by a better redistribution of factors of production, particularly in the most competitive countries. Yet, this long-term effect is dependent on the availability of transportation and communication infrastructure, to help sell anywhere within ECOWAS, irrespective of the country of production.

At the sub-regional level, an effective implementation of the ECOWAS-CET would be beneficial in the short term but potentially harmful in the long term. The magnitude of these effects would be especially subsequent to the openness of the ECOWAS region as compared to the rest of the world. *Basing their views on the functioning of WAEMU-CET and its actual implications, the "Plateforme des acteurs non étatiques" (Platform of Non-State Actors) of Senegal henceforth claims that the implementation of the ECOWAS-CET will make West Africa the most open economic area in the world.* Such an open market, with more than 300 million consumers coupled with the implementation of the EPAs with the EU is at the same time a source of opportunity and poverty (Mariétou et al, 2009). The opportunity originates from the fact that expanding the market to include foreign importers should result in lower prices and the availability of an array of products for the consumer which will be more competitive than local producers. As for the impoverishing part of the ECOWAS-CET, the same Actors hold that the dynamic nature of competition is likely to overpower local producers within national markets, worst still, discourage agricultural and industrial development. And this will jeopardize the process of structural transformation of economies through industrialization as advocated for by ECA through its guidelines, broken down in its last five economic reports on Africa¹.

It is against this backdrop that the ECA Office for West Africa, in partnership with the Government of

¹ 2017: Urbanization and Industrialization for the Transformation of Africa; 2016: Greening Africa's Industrialization; 2015 Industrialization Through Trade; 2014 Dynamic Industrial Policy in Africa; 2013: Making the Most of Africa's commodities: Industrializing for Growth, Jobs and Economic Transformation.

Burkina Faso, ECOWAS and UEMOA, is organizing an Ad-Hoc Experts Meeting on the theme: Impact of the ECOWAS -CET and EPAs by the European Union on structural transformation of economies and regional integration in West African economies. In order to facilitate discussions of the meeting, ECA drafted a report on the issue, to be presented to participants as a basis for discussions while enriching it.

2. Objective of the Ad-hoc Experts Meeting

The main objective of this Meeting is to analyse the possible impact of a full implementation of the ECOWAS-CET and EPAs on economic structural transformation and the regional integration process within ECOWAS.

Based on the review of the preliminary report proposed by ECA, participants shall focus specifically on the following:

- Discussing the already noticeable effects on the field, two years into the implementing of CET within the ECOWAS region, identifying the main constraints and challenges, thereby making proposals;
- Discussing the potential effects of EPAs on economic and social development in view of their adoption by ECOWAS;
- Sharing experiences of countries on the implementation CET within the sub-region, to ensure its appropriation and effective implementation at the level of all member States;
- Presenting the provisional findings of the study at the high-level meeting of experts of the sub-region.
- Contributing towards enriching the draft report proposed by the ECA;
- Making recommendations for a gainful implementation of the ECOWAS-CET for member-States;
- Formulating guidelines that can inform decision-makers of the Sub-region, as they sign and adopt EPAs with the European Union;

3. Meeting Layout and Partnership in Implementation

The two-day Ad-Hoc Experts Meeting shall include plenary sessions and group work during which participants will discuss the major stakes and challenges related to implementing CET and EPAs and their contributions towards economic structural transformation of ECOWAS member-States. These plenary discussions should eventually be furthered during the group work.

The main findings of the preliminary report will be presented by ECA. Following the presentation, country-experts will be given the opportunity to share their experiences (difficulties, successes, failures, good practices) on the implementation of the ECOWAS-CET and on ongoing initiatives for a possible signing or not of EPAs. Country-experiences will be comforted by the views and guidance of experts from, not only ECOWAS and UEMOA but also, from the private sector and civil society.

Participants will include representatives from RECs/IGOs, from ECOWAS, WAEMU and the Mano River Union (UFM), Member States, as well as representatives from key institutions, including the private sector and civil society, advocating for the development of the Sub-region in relation through the promotion of trade integration in West Africa. International trade and customs experts in ministries that oversee trade and those in charge of the economy and finance shall be mainly targeted at the country-level.

4. Expected Outcomes and Recommendation of the Meeting

Participants shall make recommendations to boost the implementation of ECOWAS-CET in countries as well as guide the choices of decision-makers during the process of negotiating EPAs, bearing in mind the quest for structural transformation of economies and the strengthening of regional integration through trade in West Africa.

At the end of the Meeting, a report on the main conclusions and recommendations of the discussions will be prepared by the secretariat of the meeting and submitted to the experts for approval. The positive outcomes of the Meeting will also serve as the basis for finalizing the preliminary report on the topic, prepared by ECA.

5. Meeting Date and Venue as well as relevant logistical details

The Meeting shall be held at Palace Hôtel, Ouagadougou, Burkina Faso **from 16 to 17 May 2016**. ECA Office for West Africa shall oversee logistics at the local level, including booking hotels, airport pickups, and shuttle to and from the hotel. Organizers shall be responsible for air tickets and per diem of sponsored participants and so at the rates defined by the United Nations.

For organizational purposes of the Meeting, all participants will be requested to confirm their participation and provide ECA Office for West Africa with full information on their travel itinerary, no later than **25 April 2017**. Additional clarifications regarding other administrative provisions shall be provided in the information note that will be sent to participants who would have confirmed their participation.

6. Contacts

Confirmation of participation by official mail and e-mail, as well as transmission of necessary information, should be sent to the addresses below.

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