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The Economic Impact of the West Africa - EU Economic Partnership Agreement

Trade

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THE ECONOMIC IMPACT OF THE WEST AFRICA –EU ECONOMIC PARTNERSHIP AGREEMENT

An analysis prepared by the European Commission's Directorate-General for Trade

Executive Summary

On 3 April 2014, Heads of State and Governments of Africa and of the European Union gathered at the Fourth EU Africa Summit declared: *"Our economies remain closely linked, and we will work to ensure that the growth of the one will help the other. We are also convinced that trade and investment and closer economic integration on each of our continents will accelerate that growth."* While acknowledging the *"valuable role"* of development assistance, they called for *"a fundamental shift from aid to trade and investment as agents of growth, jobs and poverty reduction."*[1]

Economic Partnership Agreements (EPAs) between the EU and African, Caribbean and Pacific (ACP) countries are the main pillar of ACP-EU trade cooperation, and aim at creating the right conditions for trade and investment. In this context, the West Africa – EU EPA establishes a long-term and stable trade relationship between both parties, in compliance with international trade rules.

West Africa is the EU's main economic partner among ACP regions, with strong political and social links to the EU. In the period 2008-2013, West Africa experienced strong economic growth (4.8% annually). West Africa's trade with the world (exports plus imports) increased by 67% between 2007 and 2013, and West Africa's trade with the EU by 70%. The EU is West Africa's main trade partner (34.5% of West Africa's exports and 22.1% of their imports); In 2014

[1] EU Africa Summit Declaration of 3 April 2014, §43.

West Africa exported €37 billion worth of goods and imported goods to a value of €31 billion from the EU (around 2% of EU trade with the world), percentages which are comparable to those of India or Canada.

The present report is part of the Economic analyses of negotiated outcome undertaken by DG TRADE at the end of negotiations. Contrary to earlier reports, it does not rely on possible scenarios but on the actual outcome of the negotiation between the parties, with a view to provide information to all stakeholders involved in the adoption process of the agreement, as well as to the wider public.

The rationale and content of the West Africa – EU EPA

The EU's trade relations with the ACP countries were historically framed by a series of conventions, which granted unilateral preferences to the ACP countries on the EU market. By the end of the 1990s, it was found that these conventions did not promote trade competiveness, diversification and growth as intended. They were also found to be in breach of the World Trade Organisation's (WTO) principles, as they established unfair discrimination between developing countries. A change was therefore required. EPAs were the response defined jointly by the ACP countries and the EU in the Cotonou Agreement. EPAs build a new bilateral reciprocal partnership for trade and development, asymmetric in favour of ACP countries. In keeping with the objectives set out in the Cotonou Agreement, sustainable development is a key objective of the EPA, which is explicitly based on the "essential and fundamental" elements set out in the Cotonou Agreement (human rights, democratic principles, the rule of law, and good governance). The joint EPA institutions are tasked with the function of monitoring and assessing the impact of the implementation of EPAs on the sustainable development of the parties, also carving out a clear role for civil society and members of parliament.

In view of these objectives, the EPA differs from most Free Trade Agreements (FTAs) currently in place or negotiated by the EU with other trading partners: while it remains a reciprocal agreement (as a factor favouring trade and investment, and as a condition for its compatibility with WTO principles), it weighs in favour of West Africa through specific provisions:

- Asymmetric market access in favour of West Africa: The EU has committed itself to open its market to all West African products as soon as the agreement enters into force. In exchange, the EU has accepted a partial and gradual opening of the West African market. The agreement fully takes into account the differences in the level of development between the two regions.

- Safeguards: Under the terms of the agreement, West Africa continues to be able to protect its sensitive products from European competition either by keeping tariffs in place or, if necessary, by imposing safeguard measures. To support local agricultural production, the EU has also agreed not to subsidise any of its agricultural exports to West Africa.

- Flexible rules of origin: West African companies also have more flexibility to use foreign components while still benefitting from free access to the EU market. Cumulation of origin is allowed with a large number of developing countries (including ACP countries engaged in EPAs), so as to foster West Africa's integration into regional and global value chains.

- Development: The EU complements the market opening effort of the West African partners with a substantial development assistance package. On 17 March 2014, the EU Foreign Affairs Council confirmed EU support of at least €6.5 billion for West Africa during the first period 2015-2020. The Economic Partnership Agreement Development Programme (EPADP) plays a crucial role in ensuring that the EPA promotes trade and attracts investment to West African countries. This will contribute to development, sustainable growth and reducing poverty.

The institutional provisions of the EPA set up a specific forum for West Africa and the EU to discuss and resolve trade issues: in that manner, the EPA creates a genuine bi-regional "partnership", which is also extended to parliamentary representations and the civil society.

The conclusion of the EPA negotiations should also be seen in the context of West Africa's efforts to improve regional integration, which materialised, for instance, in the adoption and entry into force of the Economic Community of West African States (ECOWAS) Common External Tariff (CET) in January 2015. Current intraregional trade is low, but the EPA would contribute to foster it especially through the flexible rules of origin provisions that are part of the agreement and the development assistance channelled in the EPA context for instance to support regulatory convergence and trade facilitation within the region.

The estimated effects of the tariff reductions set out in the West Africa – EU EPA

The economic impact of the EPA between the EU and West Africa was assessed using a dynamic general equilibrium model, tailor-made for trade policy analysis and adjusted to the specific characteristics which apply to the West African countries. In a conservative manner, only the impact of the tariff reductions was assessed, i.e. what is easily quantifiable from the agreement. Essential provisions of the EPA (rules of origin, trade facilitation, cooperation on norms, the EPA Development Programme, etc.) were left out from the model since they are difficult to quantify without making strong assumptions; still they weigh in favour of West African countries. The results presented in the study should thus rather be seen as a lower approximation which is expected to be exceeded in the long-term thanks to the non-tariff provisions of the agreement.

Based on the simulation results, West African countries' GDP will be positively affected by the agreement, albeit to a small extent, up to 0.5% (<u>all results refer to the situation in 2035 compared to a baseline without the EPA</u>). Welfare is also expected to slightly increase, from 0.1 to 0.7% depending on the country but regardless of the country's status as Least Developed Country (LDC) or not.

Total exports from West Africa to the world are positively affected by the EPA and so are total imports, though to a smaller extent. West African exports are expected to increase on average by 1.5% and imports by 1.2%. Despite the fact that most West African countries already enjoy duty-free quota-free (DFQF) access in the EU market, West Africa's exports to the EU are expected to increase by 4.1%. The agreement does not affect the Rest of Africa's trade with the world (0.0%) and has a small positive impact on the EU's trade with the world (0.1% for both imports and exports).

Almost all sectors in West Africa are expected to benefit from the EPA through an increase in exports – with the highest increases in the following sectors: cereals (10.2%), other food (9.9%), red meat (8.4%) and wearing apparel (12.8%). Minor decreases in exports are expected in only three sectors: cattle (-1.4%), other crops (-0.6%) and other mineral (-2.2%). The increase in exports relates to agricultural sectors as well as industry and services sectors.

West African production is expected to follow the same pattern, with an increase in almost all the main sectors in each country. The sectors where production is estimated to increase mostly are vegetables/fruits, construction, metals, transportation and business services.

The report also highlight the case of several sectors such as cocoa and textiles, for which the EPA constitutes an opportunity for more transformation in West Africa and more value addition. For instance, the EPA provides access to the EU market not only for raw cocoa beans (as under the GSP) but also to cocoa powder, cocoa paste and chocolate. The textile sector will benefit from preferential rules of origin (only a single transformation required in order to keep the benefit of the preferential access to the EU market) that other competing countries do not have, thus incentivising investment location and production in West Africa, in line with West Africa’s industrialisation strategies.

EU's exports to West Africa are expected to increase by 23.3%, reflecting the absence of preferential treatment for EU products currently. This increase would be in the sectors that West Africa decided to liberalise with a long timeframe and not on the sensitive sectors that have been excluded from liberalisation. That improvement in market access would only marginally affect other trade partners (mostly Asia and NAFTA) without however radically changing West Africa's trade pattern.

The remuneration of production factors is generally positively affected by the EPA, albeit to a small extent. Remuneration of labour is expected to increase in all countries (up to 0.9% in Côte d'Ivoire), while other factors such as capital, land and natural resources would also gain in most countries, with limited exceptions. Tariff reduction is expected to slightly reduce the poverty headcount in the two countries observed (Ghana and Nigeria).

As a result of tariff reductions, collected import duties will on average be lower in 2035 (by 11.7%). Compared to GDP or government revenues, the reduction in import duties remains limited (respectively -0.3% and -2%). It should be noted that this is only the impact of the tariff reductions, without taking account the positive impact of fiscal reforms that West African countries might undertake, or the other elements of the EPA (e.g. the EPADP).

Conclusion

The simulation of the impact of tariff reductions set out in the EPA shows positive gains for West Africa, though small. However, the gains for West African countries should be considered as lower bounds since the modelling takes into account only those aspects of the EPA that are readily quantifiable (tariff reductions) and does not cover other aspects that are more difficult to quantify, but can affect positively West Africa's economy.

For example, the relaxation of rules of origin should enable West Africa to take better advantage of the market access offered, to enhance cooperation among them as well as regional integration. Improvements in the quality of infrastructure and reduction in delays in trading through trade facilitation measures can reduce trade costs and further increase exports. By establishing a favourable and predictable regulatory environment and enhancing good governance, reducing corruption and increasing political stability, West African countries should be able to stimulate trade and investment further. All the aforementioned elements cannot be easily and accurately quantified and therefore they were not included in the analysis.

The EPA creates several joint institutions in charge of the implementation of the agreement (Joint Council, Joint Committee, Parliamentary Committee and Consultative Committee). It is the task of those institutions to ensure that the EPA is properly implemented, as well as to make proposals for reviewing priorities set out in the agreement. For that purpose, constant monitoring of implementation of the EPA is paramount. The setting-up of the Competitiveness Observatory would be important in this context too. It covers implementation of all aspects of the EPA from trade liberalisation, sustainable development to development cooperation actions. This will be achieved through a participatory and inclusive process, involving various actors and stakeholders.

In addition, the EPA foresees discussions on a wider negotiation agenda ("rendez-vous clauses") covering other areas affecting trade and investment, for instance services, investment, or sustainable development, which could bring additional benefits to the countries concerned, when concluded.

Content

1. Introduction

The Economic Partnership Agreements (EPA) between the EU and the African, Caribbean and Pacific (ACP) states are the main element of the ACP-EU trade cooperation, and date back to the signing of the **Cotonou Agreement** in 2000. The objectives as set out in the Cotonou Agreement were to go beyond the unilateral preferential market access to the EU, which ACP countries had enjoyed since the first Lomé Convention in 1975, by:

- taking account of the different level of development between the negotiating parties.
- fostering the integration of the ACP states into the world economy,
- supporting their regional integration, and
- making trade a better tool for growth and sustainable development.

In order to negotiate EPAs, ACP states chose their own **regional configurations**, usually building upon existing economic integration processes. Seven regions resulted from that choice: five in Africa, one in the Caribbean and one in the Pacific. In December 2001, the Economic Community of West African States (ECOWAS) Heads of State Summit decided that West Africa was to negotiate an EPA as a region. In October 2003, negotiations between West Africa (including Mauritania) and the EU were officially launched in Cotonou. On the West African side, the negotiating mandate was granted to the regional organisations (ECOWAS and West African Economic and Monetary Union-WAEMU).

After several rounds of negotiations spanned over more than 10 years, the negotiations were formally concluded on 6 February 2014 in Brussels and **the agreement was initialled on 30 June 2014** in Ouagadougou, Burkina Faso by the Chief Negotiators. The ECOWAS Summit in Accra on 10 July 2014 fully endorsed the EPA and decided that it should be signed and ratified. On the EU side, the Council Decision to sign and provisionally apply the EPA was adopted on 12 December 2014. Following the endorsement of the negotiated deal by both parties to the Agreement, it was presented for signature and will subsequently be submitted to the European Parliament for consent and to national Parliaments of signatory states for ratification.

While the EPA was crafted to respond to the jointly set objectives and is considered balanced and mutually beneficial by the two parties, it is however important to dispose of an in-depth analysis of the actual outcome of negotiations and of its consequences. The present study responds to this need. Given the development objective of the EPA, and the relatively low impact expected from the agreement on the EU economy[2], the study focusses on the consequences of the EPA for West African countries, in terms of economic development, social and fiscal impact.

Estimating the future effects of trade agreements is not an exact science, even when the content of the agreement is known. Apart from the methodological problems presented in section 6, certain aspects of the EPA make the analysis a challenging task:

- The EPA sets out a time schedule for liberalisation on the West Africa side of 20 years. In the first five years no impact in terms of tariff reduction is to be expected: the main tariff liberalisation occurs after 10, 15 and 20 years. While the modelling carried out in the present study simulates future trends based on conservative assumptions, no certainty can be warranted over such a long time horizon. It is worth recalling, for instance, the unprecedented growth rate experienced by most West-African countries in the past 10 years – a fact which, in itself, pleads for caution when presenting the consequences of the agreement in year 2035. Improvements in the business environment, in energy and transport infrastructures, can have positive economic outcomes outpacing the EPA's impact.[3]

- The analysis is based on the comparison of a scenario under which the EPA is implemented and, as a counterfactual, a baseline without EPA. That baseline needs to take into account the trade provisions which would apply to each West African country in its trade with the EU in case of no EPA. In the case of middle-income countries (Nigeria, Côte d'Ivoire, Ghana and Cape Verde[4]), the provisions of the Generalised Scheme of Preferences (GSP) would apply. In the case of Least Developed Countries (LDCs), the baseline reflects market access under the Everything-but-Arms scheme (duty-free quota-free access (DFQF) to the EU market, though with less flexible features than under the EPA, for instance with regard to cumulation of origin). Such approach is

[2] This low impact can be attributed to (1) the relatively small weight of trade with West Africa in the EU's total trade with the world, and (2) the fact that most West-African products already enter the EU market duty-free (either as a result of the Everything-but-Arms scheme, the general GSP scheme or the fact that the goods face MFN-0 duties on the EU market).

[3] See World Bank (von Uexkull, Njinkeu, Maur, Coste, Shui), *ECOWAS economic partnership agreement with the EU and Nigerian trade and development*, December 2014

[4] Cape Verde currently benefits from the enhanced Generalised System of Preferences known as GSP+. As a conservative approach, it was expected in the baseline that Cape Verde would keep on benefitting from the GSP+ provision in the observation period.

conservative, given that several West African LDCs[5] expect to become middle-income countries within the period covered by the study (2015-2035) and would then face market access under the GSP in case of no EPA. Also some of the middle-income countries are expected to graduate from GSP, at least in selected sectors[6] if not fully, by becoming upper-middle income countries.

- Many trade-related elements of the EPA cannot be modelled in the study. For instance, the more favourable rules of origin set out in the agreement for West Africa constitute an asset for business to settle and produce in West Africa. However, these advantages could not be modelled; the reason being that while the benefits of the more favourable rules of origin vary across product groups, the rules of origin themselves are usually defined at the 4-digit level of the Harmonised System, which is a finer level of aggregation than the GTAP sector level at which the simulations are carried out. The various safeguards set out in the Agreement in favour of West African countries (e.g. the safeguard to protect infant industry, or the food security safeguard) may be activated if needed, but the need for such activation (e.g. a sudden surge in imports, a food security crisis, etc.) cannot be foreseen at this stage. Another example is the foreseen cooperation on sanitary and phytosanitary norms (SPS): by helping West African companies to cope with SPS norms, cooperation will improve the access of West African products to the European market but in a magnitude which is impossible to quantify at this stage.

- Finally, and most importantly, the EPA is built on two "pillars": the trade pillar and the development cooperation pillar. While the impact of trade-related provisions on future economic patterns can be estimated, the impact of the development cooperation is more difficult to predict in the long term (20 years), in the absence of known projects and priorities which will emerge over the years. However, the development cooperation provisions, of which the overall objective is *"to build a regional economy that is competitive, harmoniously integrated with the world economy and stimulates growth and sustainable development"*, can be seen as amplifier for the positive effects of the EPA and a mitigating factor of the short term fiscal losses that the trade-related provisions will have.

[5] See for instance, Senegal's "Emerging Senegal Plan" ('Plan Senegal Emergent"), which aims at *"an emerging Senegal in 2035 with social solidarity and the rule of law"*.

[6] This is already the case for the Nigerian "raw hides and skins and leather" sector under the GSP (see http://trade.ec.europa.eu/doclib/docs/2012/december/tradoc_150164.pdf p. 23)

Bearing these aspects in mind, the study is structured as follows. First it seeks to explain the policy context and rationale for concluding the EPA (section 2). Then, it looks at the existing economic and trade relationship between West Africa and the EU (section 3), before summarising the content of the EPA (section 4). Finally, after a literature review (section 5), economic modelling tools are applied to assess the impact of the tariff liberalisation schedule set out in agreement (section 6).

2. Context and rationale for the West Africa – EU EPA

2.1.Towards the EPA

Starting point of the EPA process: the Cotonou Agreement (2000)

The Lomé Conventions (the first of which dates back to 1975) set out the principle of non-reciprocal concessions on trade in favour of countries from Africa Caribbean and Pacific (ACP)[7]. The first three Conventions were concluded for a period of five years. The fourth Convention covered the period from 1990 to 2000.

By the end of the 1990s there was a sense of frustration that the significant trade preferences for ACP exports had failed to stem the steady fall in ACP countries' share of total extra-EU imports and to bring the much needed diversification of ACP economies. Moreover, these preferences were in breach of the rules of the World Trade Organisation (WTO), which provide that countries in a similar situation should be treated on an equal basis. However, WTO rules also provide that countries can be granted specific treatment, insofar as such treatment is provided in the framework of a reciprocal free trade agreement that covers substantially all trade between the parties. The WTO agreed with much difficulty to an exception for the non-reciprocal trade regime until the end of 2007, after which they were to be replaced by WTO-compatible arrangements.

The ACP countries and the EU have jointly designed the EPAs as a response to this commitment. Therefore the Cotonou Agreement foresaw the setting up of a new reciprocal - partnership for trade and development which maintained still a significant asymmetry in favour of ACP countries.

In 2003 and 2004, formal regional negotiations were launched with West Africa, Central Africa, Eastern and Southern Africa, the Caribbean, Southern Africa / SADC and the Pacific. Countries of the East African Community formed a separate negotiating group in August 2007. However, negotiations made slow progress and by the beginning of 2007 no WTO-compatible trade agreements had yet been agreed. In deference to the rapidly approaching end-of-year deadline, it was agreed in October 2007 to split the negotiations into two stages: (i) "interim EPAs" (also called "stepping stones"), to be concluded by the end of 2007; followed by (ii) further negotiations towards comprehensive EPAs to be concluded at the regional level.

[7] The ACP Group of States was founded by the Georgetown Agreement in 1975.

Box 1: State of play of EPAs in other ACP regions (March 2016)

- Caribbean: regional EPA applied since 2008
- Pacific: EPA with Papua New Guinea applied since 2011, with Fiji applied since 2014
- Eastern and Southern Africa: EPA with Mauritius, Seychelles, Zimbabwe and Madagascar applied since 2012
- Central Africa: EPA with Cameroun since 2014
- South African Development Community: conclusion of negotiations of a regional EPA in 2014
- Eastern African Community: conclusion of negotiations of a regional EPA in 2014

The EU Market Access Regulation (2008)

Annex V of the Cotonou Agreement, which provided for unilateral trade preferences for the ACP countries, expired on 31 December 2007. To bridge the gap for countries that were not yet in a position to apply EPAs, as they were awaiting signature and ratification, the EU set out transitional arrangements applying as from 1 January 2008 to products from the countries in question through the Council Regulation (EC) No. 1528/2007, the so called Market Access Regulation (MAR). This regulation governed the EU import regime for the ACP countries that had initialled EPAs in 2007. It basically unilaterally anticipated the duty-free access that the EU offered in these agreements, pending their entry into force.

However, because after several years a large number of ACP countries had neither taken the necessary steps towards ratification of an EPA nor concluded comprehensive regional negotiations, the MAR was amended in May 2013 (Regulation 527/2013) to reserve free access only to those countries that had ratified their EPA or had concluded negotiations for a regional full EPA by 1 October 2014. Otherwise, the unilateral regimes with their particular arrangements apply (except in upper middle income countries which are submitted to the MFN regime).

The Generalised Scheme of Preferences (GSP)

The GSP consists of three arrangements, namely the general arrangement; a special incentive arrangement for sustainable development and good governance ('GSP+'); and a special arrangement for LDCs - the Everything But Arms (EBA) initiative. The first GSP was adopted in 1971. The regime has undergone significant reforms leading to the current GSP, adopted in 2012, which has been applied since 1 January 2014. The scheme is focused on fewer eligible beneficiaries (removing countries which have achieved a high or upper middle per capita income, according to the World Bank classification) to ensure more impact on countries most in need. At the same time, more favourable treatment is provided through GSP+ to countries which commit to implementing international human rights, labour rights and environment and good governance conventions. Finally, the EU's EBA initiative provides for even more favourable tariff treatment for LDCs, granting unrestricted DFQF access to all products (except arms) from all LDCs.

The EPA negotiation process

EPA negotiations with West Africa were officially launched at a ministerial meeting in Cotonou, Benin, in October 2003. The West African Heads of States Summit decided to negotiate under a geographic configuration composed of all ECOWAS States plus Mauritania. Mandate was given to the ECOWAS Commission, in association with WAEMU Commission, to negotiate on behalf of the West African countries.

A road map for the negotiations was later adopted in May 2004. The road map covered two initial phases: 1) to examine the acquis of the region in all trade matters and, 2) to agree on the global parameters and scope of the future agreement. Negotiation on the text of the agreement started in 2006.

The ministerial meeting of 5 February 2007 agreed to progress in parallel on three main substantive issues: 1) market access, 2) trade related rules, and 3) development support. It became clear that it would not be possible to conclude a full EPA before the deadline set by the WTO (until the end 2007). Côte d'Ivoire and Ghana initialled separate bilateral "stepping stone EPAs" end-2007 to avoid trade disruption (see above).

At a ministerial level meeting in June 2009, a two-phase approach was agreed. First, an agreement with the whole West African region would cover trade in goods, some trade rules and development cooperation. Second, trade in services and the remaining trade-related issues would continue to be negotiated in a later phase.

In October 2013, the ECOWAS Heads of State summit in Dakar confirmed the West African commitment to conclude the negotiations and validated a new market access scenario. A compromise package was worked out during a final round of negotiation in January 2014. The package was endorsed in February 2014 by the chief negotiators. The agreement was initialled on 30 June 2014 in Ouagadougou by Chief Negotiators.

2.2. Rationale for the EPA

The declared objective of the parties when negotiating the agreement was broad, aiming at *"fostering the smooth and gradual integration of the ACP States into the world economy with due regard for their political choices and development priorities, thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries".*[8]

The conclusion of the EPA negotiations comes at a time when West Africa has experienced unprecedented growth rates (4.8% on average in the period 2008-2013, see below), despite political, health or security challenges in several countries. This economic growth has been sustained by an increasing oil production and exportation, but also by the development of the services sector (telecommunications, transport, retail, online services, banking) – which has resulted in increased production and an increased diversification of most West-African economies.

However, the consolidation of these positive trends still face obstacles such as the lack of appropriate infrastructure, regulatory hurdles between countries and within countries, or the cost of trading across borders, of registering property of enforcing contracts, etc.[9] With regard to trade patterns, the existence of several trade schemes (EBA, GSP, GSP+) is suboptimal in terms of regional integration and as they are unilateral and can be revised at any time, they offer limited visibility for investors. Moreover, these schemes are linked to a particular level of development and as the countries grow richer, they will eventually graduate from these unilateral preference schemes.

[8] Cotonou Agreement, Article 34 §1.

[9] See World Bank, *Doing business 2014 : Economic Community of West African States,* p.8

A major objective of the EPA is to help West African countries produce value-added goods and develop their industrial capacities. To that end, the EPA will lower the cost of imported inputs and intermediates, thus lowering production costs for all companies, including small and medium-sized enterprises (SMEs). This increases the competitiveness of the local economy to produce for local, regional and international markets and to connect to global value chains. It is also complemented with measures to be triggered to protect industrial sectors and infant industry, as well as to exclude from liberalisation West Africa's sensitive productions. EPAs also offer flexible rules of origin under which firms can more easily source inputs from elsewhere without losing their free access to the EU.

In keeping with the objectives set out in the Cotonou Agreement, sustainable development is a key objective of the EPA, which is explicitly based on the "essential and fundamental" elements set out in the Cotonou Agreement, i.e. human rights, democratic principles, the rule of law, and good governance. The joint EPA institutions are tasked with the function of monitoring and assessing the impact of the implementation of EPAs on the sustainable development of the parties, also carving out a clear role for civil society and members of parliament.

The conclusion of the EPA negotiations can also be seen in the context of West Africa's efforts to improve regional integration, which materialised, for instance, in the adoption of the ECOWAS Common External Tariff (CET) for entry into force in January 2015. Regional integration efforts are a key element of West Africa's future trade patterns, aiming at creating a wider integrated market which will attract investors and increase revenue prospects for local production. The EPA, coupled with the EU's overall strategy to support regional integration, aims at helping West Africa also in the technical and policy aspects of economic integration.

For that reason, the EPA differs from free trade agreements currently in place or currently negotiated by the EU with other trading partners: while it remains a reciprocal agreement (as a condition for its compatibility with WTO rules), it weighs in favour of West Africa through so-called "asymmetries", i.e. specific provisions in favour of West Africa. Those more favourable features can be summarised as follows:

- Asymmetric market access in favour of West Africa (full market access for West African products, partial market access for EU ones);

- Safeguards for West Africa (e.g. for reasons linked to surge of imports, nascent industry, food security, etc.);

- Flexible and asymmetric rules of origin, so as to foster West Africa's integration into regional and global value chains;
- Development package with focus on promoting trade, increasing competitiveness and attracting investment to West African countries.

Box 2: EPAs and regional integration

There is political consensus in Africa to pursue ambitious integration projects, at regional and continental level. In that regard, the EPA process has served as a useful learning experience and has contributed to the advancement of the integration process. Regional integration in the ACP is one of the key objectives of EPAs. The negotiation process as such has contributed to this effect, by bringing different countries within regions around the same table to define common positions on the issues at stake and by strengthening processes leading to customs unions and common external tariffs, like in EAC and West Africa.

Besides that general objective, EPAs include mechanisms to support and facilitate regional integration. Flexible rules of origin and the possibility to cumulate origin while sourcing inputs are crucial in this regard. Moreover, through the EPA provisions on "regional preference" countries within a region commit themselves to give each other at least the same treatment as to the EU. This does not exclude that they apply better preferences among each other than those granted to the EU.

Other EPA provisions, especially those addressing standards, technical barriers to trade, regulatory frameworks and trade facilitation, are aimed to help build a predictable and standardised business environment that would address some of the bottlenecks impeding regional integration in Africa. Development assistance, channelled in the EPA context for instance to support regulatory convergence and trade facilitation within regions, is also likely to help. Last but not least, having a single trade regime across a region, with free access to the EU market, eliminates incentives for industry relocation from countries with less generous access to those with better preferences.

With the institutional provisions of the EPA, the EU and West Africa will have a specific forum to discuss and resolve trade and trade related issues (such bilateral forum does not exist at this stage): in that manner, the EPA sets up a genuine bilateral "partnership", which also includes parliamentary representatives and the civil society. Finally, the European Commission recalled on several occasions that EPAs form part of the EU's development policy approach, in line with the EU Africa Summit Declaration of 3 April 2014: *"It is time for a fundamental shift from aid to trade and investment as agents of growth, jobs and poverty reduction."*[10]

[10] EU Africa Summit Declaration of 3 April 2014, §43.

3. Overview of the economic and trade relations between the EU and West Africa

3.1.West Africa's economy

The 16 West African countries have a population of over 330 million, with over half of them in Nigeria (see Table 1). Their Gross Domestic Product (GDP) [11] ranges from €680 million in Gambia to €36 billion in Ghana, with Nigeria reaching €393 billion in 2013.. According to the United Nations categorisation[12], 12 out of the 16 countries are identified as LDCs. The remaining four countries (Cape Verde, Nigeria, Ghana and Côte d'Ivoire) are lower middle income countries.

Table 1: West Africa's GDP and population, 2013

Country	GDP 2013 (million €)	World rank (GDP 2013)	Population (million)	GDP per capita (€)	Average GDP growth rate (%)[13]
Nigeria	392,895	25	173.6	2,263	5.9
Ghana	36,245	82	26.1	1,389	8.6
Côte d'Ivoire	23,388	96	21.1	1,108	3.8
Senegal	11,137	119	13.5	825	3.1
Burkina Faso	8,721	129	18.0	485	6.2
Mali	8,239	134	15.5	532	3.3
Benin	6,255	142	9.6	652	4.1
Niger	5,577	145	16.9	330	5.8
Guinea	4,626	148	11.8	392	2.8
Togo	3,267	153	6.2	527	4.3
Mauritania	3,131	155	3.7	846	4.1
Sierra Leone	3,114	156	6.2	502	5.1
Liberia	1,469	166	4.4	334	11.0
Cape Verde	1,415	167	0.5	2,830	2.1
Guinea-Bissau	723	177	1.7	426	3.0
Gambia	680	178	1.9	358	4.2
West Africa	*510,885*		*330.7*	*862*	*4.8*

Source: World Bank (GDP, World Development Indicators), Eurostat (exchange rate $/€), Population Reference Bureau (population)

[11] GDP data were downloaded by the World Bank (World Development Indicators) in March 2015. For the conversion from $ to €, the average annual exchange rate used was €1=$1.3281 (Eurostat). Population data were obtained by the 2013 world population data sheet (Population Reference Bureau).

[12] According to the United Nations (UN), the criteria used for the identification of LDCs are gross national income per capita, the human assets index and the economic vulnerability index. http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_criteria_id.shtml

[13] The GDP growth rate is, for each individual country, the average of the annual GDP growth rates from 2008 to 2013.

In the 2008-2013 period, the average annual GDP growth rate was slightly below 5% for the 16 West African countries as a total, with the highest growth rate reported for Liberia (11%) and Ghana (9%) and the lowest for Cape Verde (2%).

Nigeria is by far the largest economy in West Africa, representing 76.9% of West Africa's GDP, followed by Ghana, Côte d'Ivoire and Senegal. Collectively, those four countries amount to more than 90% of West Africa's economy.

West Africa's international competitiveness, determined by the institutional environment, infrastructure, the stability of the macroeconomic environment, quality of education, goods market and labour market efficiency, financial market development, technology and innovation, is poor. All the West African countries are ranked in the Global Competitiveness Index 2014-2015 below the 111th position (out of 144 economies), with Mauritania and Guinea being among the 5 worst performers[14].

In the World Bank's 2015 Doing Business ranking[15], West African countries are ranked below the 140 position (out of 189 countries), with the exception of Ghana (114) and Cape Verde (126). The average position of West African countries is 153, and the main issues identified are "getting electricity" (average rank 160/189), "paying taxes" (155/189), and "dealing with constriction permits" (143/189).

One of the main problems that West African countries face in their integration to international trade is their logistics infrastructure. According to the World Bank's Logistics Performance Index for 2014, their overall performance in terms of customs, infrastructure, logistics quality and competence is poor as well. In a comparison of 160 countries, almost all West African countries ranked below the 100th position (with the exception of Nigeria and Côte d'Ivoire which ranked on the 75th and 79th position[16]).

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[14] Global Competitiveness Index 2014-2015 in the Global Competitiveness Report 2014-2015 of the World Economic Forum. Data are not available for Liberia, Benin, Guinea-Bissau, Niger and Togo. In 2013-2014 the respective ranking for Liberia and Benin was around 130.

[15] http://www.doingbusiness.org/rankings

[16] World Bank, Logistics Performance Index 2014. Burkina Faso is ranked in the 98th position. Sierra Leone (2012 data), Mauritania and Gambia are ranked below the 140th position. There are no data available for Cape Verde. It should be noted that there are differences in the performance of each country in the different categories, e.g. a country may perform better in terms of timeliness or logistics quality and competence and worse in terms of customs.

3.2. West Africa's trade with the world

All West African countries are members of the World Trade Organisation (WTO)[17]. West Africa's exports to the world were €100 billion in 2013, whereas their respective imports were €113 billion (see Table 2).

Table 2: West Africa's key trading partners in trade in goods (million €)

West Africa's imports in goods					
	2004	**2007**	**2010**	**2013**	**Share**
World	**37,653**	**63,295**	**86,479**	**112,894**	**100.0%**
EU28	13,002	19,072	22,025	24,907	22.1%
China	2,780	7,618	14,872	21,572	19.1%
WA*	4,058	5,434	7,167	10,317	9.1%
USA	2,204	3,468	5,343	7,831	6.9%
India	910	2,185	2,779	4,982	4.4%
S. Korea	2,240	4,201	5,548	4,911	4.4%

West Africa's exports in goods					
	2004	**2007**	**2010**	**2013**	**Share**
World	**38,172**	**64,107**	**77,354**	**100,232**	**100.0%**
EU28	10,037	15,837	19,556	34,602	34.5%
India	417	5,941	8,025	10,400	10.4%
WA*	3,836	5,117	6,560	9,387	9.4%
USA	13,273	23,156	22,802	9,374	9.4%
Brazil	2,829	4,065	4,521	7,475	7.5%
China	674	986	1,873	4,647	4.6%

Source: Eurostat – IMF (downloaded in April 2015)
Note: WA refers to intra-West Africa trade, i.e. trade among the 16 West Africa countries)*

[17] Liberia was admitted as a member at the WTO Ministerial Conference in Nairobi in December 2015.

West Africa's largest trading partner is the EU, which receives 35% of West Africa's exports and accounts for 22% of West Africa's imports. Other important trading partners are India, the US and China. In the last decade West African countries have increased both exports and imports to and from their key trading partners (with the exception of the US on the export side, mainly due to the decrease of Nigerian exports to the US, and South Korea on the import side).

West Africa's exports to the world were multiplied by 2.6 between 2004 and 2013, and West Africa's imports by 3. This is superior to the global evaluation of World trade, which was multiplied by 2 over the same period[18]. West Africa's exports to the EU were multiplied by 3.4, confirming the EU as the main market for West African exports, and West Africa's imports from the EU by 1.9. Intra-West Africa trade also increased over the period.

Trade among the 16 West African countries (intra-West Africa) represents less than 10% of West Africa's total exports and imports showing thus that there is still a significant margin of improvement in regional trade integration.

Figure 1: Intra-West African trade, 2013

Source: IMF DoTS (Eurostat)

[18] Source: WTO statistical database http://stat.wto.org/Home/WSDBHome.aspx?Language=E

Intra-regional trade flows are reproduced in the above figure, where arrows show the direction of trade, i.e. exports from a West African country to other countries in the region. The thicker the arrow is, the more important the value of exports from one country to another. Arrows in grey represent trade below the average trade value in intra-West Africa trade, whereas arrows in black represent trade above. In 2013 the total exports of the 16 West African countries to other West African countries were €9 billion and the average export value from one country to another was €37.9 million.

The size of the circles represents the share of exports to West Africa from a given country to West Africa's total intra-regional exports. This means that the bigger the circle, the larger the exports are from this given country to the other West African countries.

3.3.Trade relations between the EU and West Africa

Trade in goods

Trade between the EU and West Africa consists mainly of goods and has increased substantially since 2003 (see **Error! Reference source not found.**).

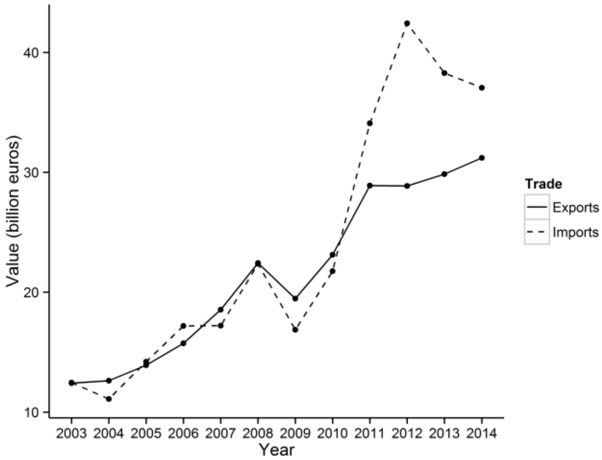
In 2014, EU exports to West Africa stood at €31 billion, i.e. accounting for 2% of EU total exports to the world, and EU imports from West Africa measured over €37 billion, i.e. 2% of EU total imports – percentages which are comparable to those of India or Canada.

From 2003 to 2010, EU exports to and imports from West Africa have increased at a similar rate (10% annual growth rate on average). However, since 2010, EU imports of West African goods have increased at a faster rate than EU exports to West Africa and remain significantly higher despite a decline in 2013 and 2014.

As can be seen in Table 3, five West African countries (Nigeria, Togo, Ghana, Senegal, and Côte d'Ivoire) account for 79% of EU exports to the region, with Nigeria receiving nearly 40% of EU exports to the region, Togo receiving 15%, and Ghana and Senegal about 10% each.

In terms of EU imports from West Africa, Nigeria is the EU's main supplier from the region (76%), followed by Côte d'Ivoire and Ghana (9% and 8 % respectively).

Figure 2: EU exports and imports to and from West Africa, 2003-2014



Source: Eurostat – Comext (downloaded in March 2015); exports from the EU to WA" and imports to the EU from WA"

Table 3: EU trade in goods with West Africa, 2014 (million €)

	EU Exports		EU Imports	
West Africa	***31,198***	***100%***	***37,053***	***100%***
Nigeria	11,578	37%	28,166	76%
Togo	4,759	15%	85	0%
Ghana	3,103	10%	2,874	8%
Senegal	2,840	9%	399	1%
Côte d'Ivoire	2,306	7%	3,240	9%
Benin	1,102	4%	46	0%
Mauritania	1,053	3%	548	1%
Guinea	957	3%	469	1%
Mali	852	3%	41	0%
Liberia	602	2%	367	1%
Burkina Faso	588	2%	107	0%
Niger	457	1%	387	1%
Cape Verde	418	1%	79	0%
Sierra Leone	282	1%	224	1%
Guinea-Bissau	160	1%	3	0%
Gambia	140	0%	18	0%

Source: Eurostat - Comext

Importance of trade by products (HS sections)

The most traded products between the EU and West Africa in 2014 can be observed in Figure 3. Only the 4 major countries (in terms of GDP) are depicted individually in the graph. The 12 remaining have been aggregated into the others category[19].

The top graph in Figure 3, shows that "minerals" (i.e. oil) were the section most exported by the EU[20] (above €11 billion, accounting for 37% of EU exports to West Africa) followed by machinery and vehicles (HS[21] 16 and 17 – €5.7 and 2.5 billion respectively, accounting for 18% and 8% of EU's exports to West Africa). EU exports of "minerals" to West Africa (mostly refined oil) are mainly directed to Togo (36% of EU's exports of minerals to West Africa), Nigeria (33%), Ghana (11%) and Senegal (10%). Concerning machinery, 48% of EU exports to West Africa go to Nigeria and 10% each to Ghana and to Côte d'Ivoire.

From the bottom graph in Figure 3, minerals (HS 5) were by far the most important section imported by the EU (almost €30 billion, accounting for 80% of EU's imports from West Africa) followed by prepared foodstuffs, drinks and tobacco (HS 4 – €4.1 billion, accounting for 11% of EU's imports from West Africa). The majority of EU imports of minerals comes from Nigeria (91%), followed by Ghana (4%). EU imports of prepared foodstuffs, drinks and tobacco come mainly from Côte d'Ivoire, Ghana and Nigeria (54%, 31% and 11% respectively).

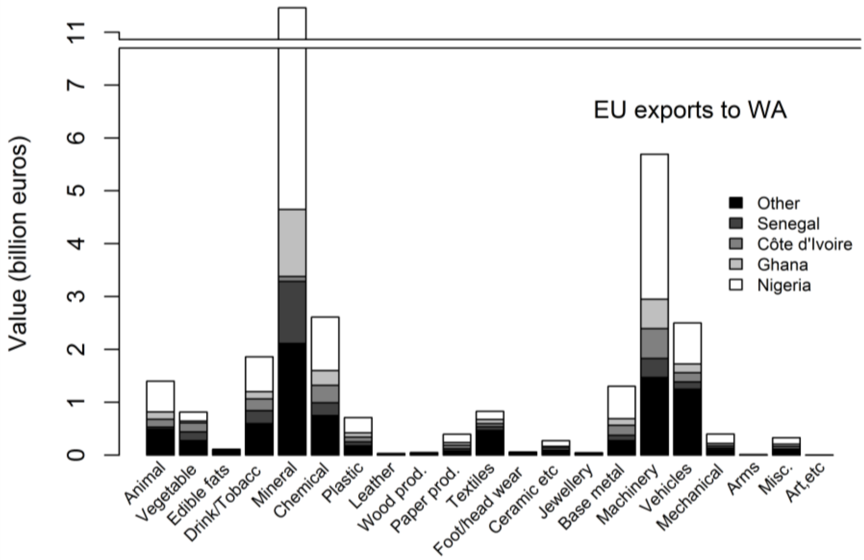
A more detailed analysis of the trade structure in each of the 16 West African countries can be found in Annex 2.

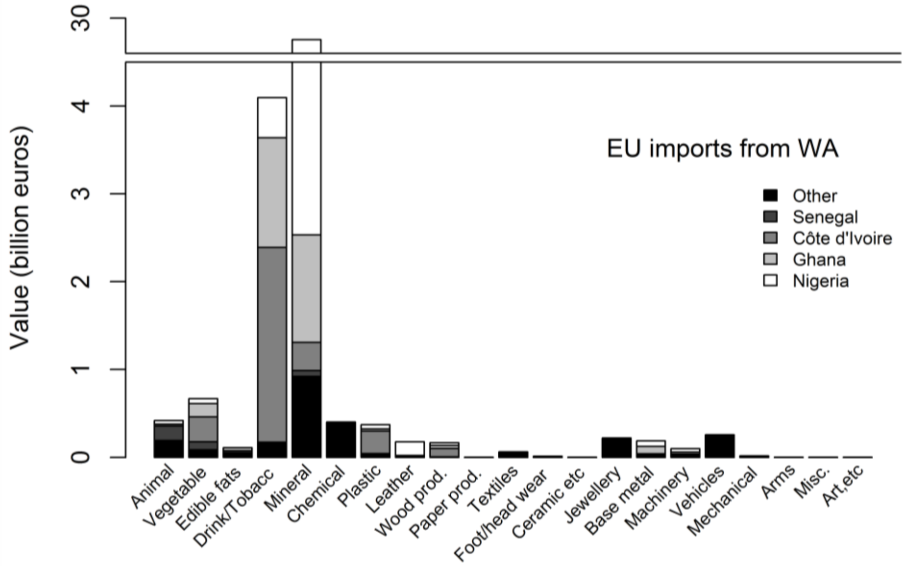
[19] Individual trading with the EU for each of the 16 West African countries at section level have been included in Annex 2.

[20] EU is mainly exporting (to West Africa) products that fall under the HS 2710 heading (petroleum oils and oils obtained from bituminous minerals (excl. crude); preparations containing >= 70% by weight of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic), while it is mainly importing (from West Africa) products that fall under the HS 2709 heading (petroleum oils and oils obtained from bituminous minerals, crude) and HS 2711 (petroleum gas and other gaseous hydrocarbons). In 2014 exports of HS 2710 products accounted for 96% of EU's exports of minerals to West Africa, whereas imports of HS 2709 and 2711 for 96% of EU's imports of minerals from West Africa.

[21] Harmonised System (HS).

Figure 3: EU exports and imports of goods to and from West Africa, 2014





Source: Eurostat – Comext

West Africa's tariff structure

Reflecting a significant step forward in West Africa's history of regional integration, the Common External Tariff (CET) for ECOWAS was adopted in October 2013 in Dakar. Officially coming into effect on the 1 January 2015, the CET harmonises tariff rates amongst West African countries. Based on the tariff bands of the WAEMU CET (0%, 5%, 10%, 20%) and with the addition of a fifth band at 35%, the CET reflects the political decision to protect sensitive sectors and nascent industries from trade liberalisation.

Table 4: Common External Tariff per section (on average) (%)

HS Section		CET
1	Live animals, animal products	17.0
2	Vegetable products	13.8
3	Animal or vegetable fats	15.0
4	Foodstuffs, beverages, tobacco	18.2
5	Mineral products	6.1
6	Chemical products	7.5
7	Plastics, rubber	10.9
8	Raw hides and skins	12.3
9	Wood, charcoal and cork	12.6
10	Pulp of wood, paper and paperboard	10.1
11	Textiles	17.0
12	Footwear, hats and other headgear	15.8
13	Articles of stone, glass and ceramics	16.7
14	Pearls, precious metals	10.6
15	Base metals	12.5
16	Machinery and appliances	8.5
17	Transport equipment	8.6
18	Optical and photographic instruments	10.9
19	Arms and ammunition	14.8
20	Miscellaneous manufactured articles	18.6
21	Works of art and antiques	20.0
Total		12.3

Note: The simple average was computed on each section's tariff lines (at 10-digit level).

Before the CET, the tariff structures of the various countries were very diverse. In general, most tariffs at HS6 level were found between 3% and 20%, with the highest values recorded in arms and ammunition (HS 19) in Liberia and Cape Verde. The maximum tariffs applied (at 6-digit level) were around 30% in Nigeria and Sierra Leone. For the remaining West African countries, the maximum tariff was 20%.

Implementation of the CET is however not fully effective, as several countries still need to put in place the changes. In addition, the CET foresees a transitional period of 5 years, during which two mechanisms are allowed: the import adjustment tax and the supplementary protection tax. The effect of both taxes is to provide ECOWAS countries with the possibility to adjust the CET as a way to ensure a smooth transition from national tariffs to the CET. That adjustment, which constitutes a derogation from the CET tariff, is limited to 3% of tariff lines.

Notwithstanding those transitional provisions, the (simple[22]) average tariff applied since January 2015 with the entry into force of the CET (in the 15 ECOWAS countries[23]) would be 12%.

Trade in services

In terms of trade in services, West Africa's exports to the world measured €8.3 billion in 2013, while their imports were €31.2 billion (see Table 5). Ghana and Nigeria are the largest exporters accounting each for 22% of total West Africa's services exports to the world, followed by Senegal and Côte d'Ivoire (12% and 9% respectively). On the other hand, Nigeria is the major importer (54% of the total West Africa's services imports from the world), followed by Ghana and Côte d'Ivoire (12% and 7% respectively). The majority of West African services that are exported to the world are transportation, travel and other business services.

From 2011 to 2013, all West African countries have a trade deficit in services, with the exception of Cape Verde, Gambia and Togo.

[22] Given the fact that the CET and the EPA tariffs have not yet been applied, the direction and volume of trade flows are not known and thus the simple average is more reliable than the trade-weighted average.

[23] Mauritania is not included in the ECOWAS.

Table 5: West Africa trade in services with the World (million €)

	WA Exports	WA Imports	Trade balance
2010	7,075	26,424	-19,349
2011	7,959	28,708	-20,748
2012	8,760	31,567	-22,806
2013	8,250	31,179	-22,930

Source: WTO (Prepared by DG Trade)

West Africa's exports to the EU reached €5.5 billion in 2013 and West Africa's imports from the EU €9.5 billion (see Table 6). EU's major trading partner in West Africa is Nigeria (accounting for 51% of EU exports and 30% of EU imports), followed by Ghana and Côte d'Ivoire (accounting for around 10% of exports/ imports each)[24]. West Africa represents about 1% of EU's exports and imports in services.

Table 6: West Africa (WA) trade in services with the EU (million €)

	WA Exports	WA Imports	Trade balance[25]
2010	5,308	8,793	-3,485
2011	5,521	9,691	-4,170
2012	5,991	9,883	-3,892
2013	5,505	9,513	-4,009

Source: Eurostat, Balance of Payments data (BPM6), downloaded in November 2015

In 2013, approximately 67% of West Africa's total exports of services were directed to the EU and 31% of West Africa's imports of services originated from the EU[26].

[24] Senegal accounts for 6% of EU exports of services to West Africa and 10% of EU imports of services from West Africa, whereas Liberia for 3% and 13% respectively.

[25] The WA countries that had a trade surplus with the EU in this 4-year period were Liberia, Cape Verde and Gambia, as well as Togo in 2010 and 2011 (and Senegal in 2012 (a small one)).

[26] Given the fact that the sources of data on EU's trade in services with West Africa and data on West Africa's trade with the world differ, these percentages should be treated with caution.

Foreign Direct Investment

With respect to the Foreign Direct Investment (FDI), in 2013 the recorded inward stocks in West Africa from the world were €107.3 billion, having increased by 6% compared to 2012. At the same time West Africa's recorded outward stocks to the world were €12.0 billion[27].

Table 7: West Africa-EU FDI stocks (inward: from EU to West Africa, outward: from West Africa to EU) (million €)

West Africa	FDI Inward stock			FDI Outward stock		
	2011	**2012**	**Share**	**2011**	**2012**	**Share**
Benin	256	422	1%	6	n/a	n/a
Burkina Faso	n/a	65	0%	0	0	0%
Cape Verde	843	801	2%	6	1	0%
Côte d'Ivoire	847	1,158	4%	358	401	16%
Gambia	0	0	0%	0	0	0%
Ghana	2,490	n/a	n/a	5	2	0%
Guinea	122	205	1%	4	0	0%
Guinea-Bissau	61	n/a	n/a	0	0	0%
Liberia	416	390	1%	26	56	2%
Mali	404	771	2%	0	2	0%
Mauritania	0	0	0%	4	0	0%
Niger	3	1	0%	0	13	1%
Nigeria	20,792	28,089	87%	1,652	2,022	80%
Senegal	497	430	1%	34	16	1%
Sierra Leone	2	0	0%	1	1	0%
Togo	64	n/a	n/a	47	n/a	n/a
West Africa	*26,799*	*32,333*	*100%*	*2,144*	*2,515*	*100%*

Source: UNCTAD FDI/TNC database, own calculations[28] (n/a: not available)

[27] Data on FDI are the ones recorded in UNCTAD which only cover a limited set of countries.

[28] For the conversion from $ to €, the average annual exchange rate used was €1=$1.392 in 2011 and €1=$1.2848 in 2012 (Eurostat). Data were downloaded in November 2015. It is important to note that there are differences between UNCTAD data on West Africa's inward stock from the EU and Eurostat data on EU outward stock in West Africa. This might be the case due to differences in definitions or confidentiality of data. These data reflect only the recorded stocks from a very limited set of countries.

In 2012 the FDI stocks in West Africa from the world were €101.1 billion, having increased by 25% compared to the previous year[29]. Since 2006 the West Africa inward stocks report a 17% annual average growth rate[30].

EU27's stocks in West Africa accounted for more than €32 billion in 2012 (32% of West Africa's inward stocks from the world), having increased by 21% compared to the previous year (see Table 7)[31]. Nigeria was by far the largest recipient of FDI, with 87% of West Africa's inward stock from the EU in 2012 and 78% in 2011. The respective percentage for Ghana was 9% in 2011 (data are not available for 2012).

West Africa's outward stocks to the world were €12.3 billion in 2012, having increased by 32% compared to the previous year. West Africa's outward stocks to the EU27 were €2.5 billion in 2012 (20% of West Africa's outward stock to the world), with Nigeria accounting for 80% and Côte d'Ivoire for 16% of them.

[29] The FDI analysis refers to 2012, as data on bilateral FDI between the EU and West Africa are not available in UNCTAD for 2013.

[30] Own calculations based on UNCTAD data.

[31] This increase is probably even higher, as data are not available for FDI stocks in Ghana, Guinea-Bissau and Togo (from the EU).

4. The content of the West Africa – EU EPA

The EPA is based on the principles and essential elements of the Cotonou Agreement: equality of the partners, participation (including participation of civil society), enhanced dialogue (as reflected in the setting-up of joint institutions to monitor the implementation of the EPA), and regional integration. The essential elements referred to in the Cotonou Agreement are human rights, democratic principles and the rule of law, and good governance.

Sustainable development is also a core objective of the agreement, covering human, cultural, economic, social, health and environmental interests. To reduce extreme poverty, the Parties agreed to design development co-operation projects aimed at promoting economic growth and intra-regional trade in West Africa, supporting sustainable forests and fisheries management, as well as adapting national administrations to trade liberalisation.

Box 3: Sustainable development in the West Africa – EU EPA

Article 3 of the EPA recalls that the objective of sustainable development is to be applied and integrated at every level of the economic partnership. In that regard, an explicit reference is made to the commitments set out in the Cotonou Agreement, especially the general commitment to economic development and reducing and eventually eradicating poverty in a way that is consistent with the objectives of sustainable development. This covers as well the "essential and fundamental" elements set out in Article 9 of the Cotonou Agreement, i.e. human rights, democratic principles, the rule of law, and good governance. As such, it offers some of the strongest language on rights and sustainable development available in EU agreements.

By way of an article commonly called the "non-execution clause" (Article 105), the agreement confirms that "appropriate measures" (as set out under the Cotonou Agreement) can be taken if any party fails to fulfil its obligations in respect of those elements. Suspension of trade benefits remains one such measure even if this will be considered an action of last resort.

While a full sustainable development chapter is left for future discussions under the "rendez-vous clauses" (Article 106), the Joint Implementation Committee of the EPA is already tasked with the function of monitoring and assessing the impact of the implementation of the agreement on the sustainable development of the parties. That task is facilitated by the work of the Competitiveness Observatory. Other bodies such as the Joint Parliamentary Committee and the Joint Consultative Committee (civil society) also monitor the implementation of the EPA.

The EPA mainly covers trade in goods and development cooperation. This stems from a decision taken in 2009 by the Chief negotiators to split the negotiations between, on the one side, trade in goods and development cooperation, and, on the other side, the other domains such as trade in services or investment. This decision was mainly due to the time needed and lack of capacity to carry out a wide negotiation on all areas in parallel.

However, as West Africa develops, West African economies will increasingly need services, research and innovation, rules on investment and competition, protection of intellectual property rights and personal data. Services such as transport, distribution or finance already significantly contribute to West Africa's GDP growth. Those elements are also fundamental drivers for the competiveness of West African companies when it comes to trade in goods, and, to a large extent, constitute today a bottleneck for West Africa's development[32].

The agreement therefore foresees "rendez-vous clauses", i.e. the continuation of negotiations between the parties on the following items:

- services;
- intellectual property and innovation, including traditional knowledge and genetic resources;
- current payments and capital movements;
- protection of personal data;
- investment;
- competition;
- consumer protection;
- sustainable development;
- public contracts.

The two parties recognised the importance of those subjects and the EPA sets out an undertaking to enter into discussions on all items. The result of those negotiations is not prejudged.

[32] See for instance Takeshima H, O. EDEH H. and O. LAWAL A., *Characteristics of private-sector service provisions: insights from Nigeria*, in The Developing Economies 53, no. 3 (September 2015): 188–217.

4.1. Customs duties

The agreement takes account of the current differences in the level of development between the two regions and therefore weighs in West Africa's favour with regard to tariff dismantling. The reduction of customs duties is a key aspect of the agreement and a key focus of the present study.

Exports to the EU

Products originating in West Africa (see rules of origin) shall be imported into the EU free of customs duties and quotas. This covers all products apart from arms and ammunitions[33]. Quotas on sugar and sugar products can be imposed by the EU but only until 30 September 2015. Specific derogations are foreseen for sugar products and bananas exported to EU Outermost Regions, for a renewable period of 10 years.

As presented in section 2, the agreement replaces several trade schemes in force between the countries of the region (EBA, MAR, GSP+ and GSP). The immediate duty-free quota-free access to the EU market upon entry into force of the agreement will mostly benefit in the short term Nigeria and Cape Verde (respectively under GSP and GSP+). Other countries have already enjoyed free access to the EU market under the EBA and the MAR. It is worth recalling, however, that the MAR is a temporary scheme based on the parties' willingness to enter into an EPA (i.e. without the EPA, the normal GSP would apply, not the MAR), and that the EBA is conditional on the LDC status (i.e. without the EPA, if a country "graduates" from LDC to middle-income status, the EBA's benefit would be terminated after a transitory period[34] and normal GSP would apply, not the EBA anymore). The EPA therefore not only harmonises the different regimes across the region, but it also provides certainty to all West African countries and businesses that the duty-free quota-free access to the EU market for their product will remain over time.

[33] HS chapter 93. This is already a basic feature of the EBA scheme.

[34] This situation occurred for Cape Verde in 2007.

Box 4: *Case Study: The EU - West Africa EPA and cocoa production in Ghana and Côte d'Ivoire - Better market access, higher value added and stronger competitiveness*

The central role in the socio-economic development of Ghana and Côte d'Ivoire

In both countries, the cocoa sector is central for employment and poverty alleviation. The two countries are the world's largest cocoa producers and exporters. In 2013, Côte d'Ivoire produced 32% of global cocoa while Ghana accounted for 18%.[35] Most of cocoa production is run by small, family-run farms.

In Ghana, six million people (25 – 30% of the population) work in the cocoa sector[36]. Ghanaian cocoa production has increased as a share of GDP from 2.5% in 2008 to 3.6% in 2011 and brought 23% of merchandise export earnings in 2011[37]. In 2013, the developmental benefits of cocoa production were fully acknowledged by the Ghanaian government which decided to significantly increase the internal processing of the commodity.

In Côte d'Ivoire, exports of cocoa products have grown by 20% a year since 2009 and accounted for 31% of total exported value in 2012[38].

The EU is an important market for cocoa exports, accounting for nearly 40% of the world cocoa processing market and also being the main importer of post-processing cocoa products (butter, powder, cake, and paste)[39]. It is the main trading partner of both Côte d'Ivoire and Ghana. In 2013, cocoa and cocoa preparations accounted for more than half of Ivorian exports to the EU (54%) and about a third of Ghanaian exports to the EU (28%).

The impact of the West-Africa EU EPA on the cocoa sector

In the absence of a regional EPA, EU trade relations with Côte d'Ivoire and Ghana would be defined by the Generalised Scheme of Preferences (GSP), which does not grant duty-free and quota-free (DFQF) access to all exported products. Indeed, while cocoa beans would still benefit from DFQF access, the GSP arrangements foresee import tariffs on processed cocoa products such as cocoa paste, cocoa butter, fat and oil.

Figure: Comparative table between GSP and EPA Tariffs on cocoa products.

Product description	GSP	EPA
1801 - cocoa beans, whole or broken, raw or roasted	0%	0%
1803 - cocoa paste	6.1%	0%
1804 - cocoa butter, fat and oil	4.2%	0%
1805 - cocoa powder	2.8%	0%

[35] Source FAOstat, available at: http://faostat.fao.org/

[36] Asante-Poku A., Angelucci F. (2013).

[37] UNECA (2013). p. 144

[38] Stratégie nationale d'exportation – République de Côte d'Ivoire 2015 – 2019. Centre du commerce international.

[39] World Cocoa Foundation (2014), p. 6.

By comparison to GSP, the EPA encourages the export and domestic production of processed cocoa products in Ghana and Côte d'Ivoire, thereby contributing to the countries' economic development and bringing higher paying industrial jobs. Today, both countries show rather low levels of "value addition" in the cocoa sector[40]. Maintaining DFQF access for value-added cocoa products is thus crucial to incentivize local producers to invest and specialize in higher-value products. Guaranteeing it in a long term stable legal framework such as the EPA, would also make investment in local value addition more attractive for investors. In the absence of the EPA, the higher tariffs may make local transformation less competitive.

On the West Africa import side, the EPA excludes from liberalisation the highest value-added products (cocoa powder and chocolate). When imported, those products will be subject to a 35% rate duty – a protection which will facilitate the countries' opportunity to move up the value chain.

Increased trade and manufacturing in the cocoa sector will also be helped by the elimination of input tariffs that are crucial to improve Ivorian and Ghanaian competitiveness in the cocoa sector[41] including fertilizers and machinery for the manufacture of cocoa or chocolate.

The sector will also be supported by development projects which will be part of the EPA Development Programme (EPADP). Concrete examples of existing projects are the following:

- In the previous European Development Fund, the EU allocated an amount of €14.5 million to a project supporting trade facilitation and regional integration in Côte d'Ivoire, one of its components being the strengthening of exporting companies' competitiveness.
- Likewise, the EU funded a programme improving transport infrastructure in Ghana which resulted in the design of an integrated transport plan for 2011-2015 (Improving transport infrastructure in Ghana, 2007 – 2011).
- The Trade Related Assistance and Quality Enabling Programme in Ghana (€9 million of EU funding) aimed to improve trade related capacity and performance of the national authorities and to support the national quality policy and the creation of the related National Quality Infrastructure.

Imports from the EU

While the EU fully opens its market from the entry into force of the agreement, West Africa partially and progressively reduces and eliminates customs duty applicable to products originating in the European Union. This applies to 75% of tariff lines, and over a period of 20 years. In other words, 20 years after the entry into force of the EPA, 25% of tariff lines remain unchanged (all those at a 35% duty and about half of those at 20% duty).

[40] UNECA (2013). p. 95.

[41] The Economic Commission Report for Africa listed high costs and weak infrastructure as major constraints to Ghana's higher value added cocoa production.

Based on the five standard custom duties of 0%, 5%, 10%, 20% and 35% of the ECOWAS Common External Tariff (CET, see above), tariff lines were divided by West Africa negotiators into 4 categories depending on considerations such as the need for rapid access to intermediary products for local production purposes, basic population needs, etc. Those categories lead to a differentiated EPA market access offer implemented by steps of 5 years as presented in **Error! Reference source not found.** below.

Table 8: Tariff levels and tariff dismantling schedule categories

Group	CET	T	T+5	T+10	T+15	T+20
D	0	*Exclusion (i.e. no change)*				
	10					
	20					
	35					
C	5	5	5	0	0	0
	10	10	10	5	0	0
	20	20	20	10	5	0
B	0	0	0	0	0	0
	5	5	0	0	0	0
	10	10	5	0	0	0
A	0	0	0	0	0	0
	5	5	0	0	0	0

Note: T refers to the first year of implementation of the EPA

- In the first five years after the entry into force of the EPA, liberalisation only relates to not increasing duties in tariff lines already applied at 0% duty under the CET. In practice, this means that no reduction in tariff and hence no reduction in import duties is to be expected in the first five years (but all West African countries will enjoy duty free quota free access to the EU market as from day one).
- At the beginning of the 6th year, the tariff lines at 5% will be liberalised, and part of the tariff lines at 10% will be decreased to 5%.

This corresponds to goods which are considered as basic and essential by West Africa, and on which governments already apply very low tariffs because those products are needed by West African consumers and companies. All tariff lines at 35% and half of those at 20% under the CET will remain unchanged at all times as they are excluded from liberalisation.

- It is only at the beginning of the 11th year that tariff lines previously reduced to 5% are liberalised, while the tariff lines at 10% and 20% which are not excluded decrease to 5% and to 10% respectively. Similarly at the beginning of the 16th year tariffs reduced at 5% are liberalised and those reduced at 10% decrease to 5%. The last tariff reductions will take place at the end of the 20th year.
- At the end of the liberalisation period, 25% of tariff lines remain unchanged (most of them at 20% or 35%).

In addition, the EPA includes several safeguards with a wide scope which can be deployed if imports of liberalised products are increasing too quickly thus jeopardising local markets. Special protection is foreseen for infant industries and for agricultural products. The EPA allows West Africa to take specific measures in case food security is threatened.

In terms of products, West Africa has excluded all the products which are considered most sensitive and currently face a 35% duty under the ECOWAS Common External Tariff (CET), such as meat (including poultry), yoghurt, eggs, processed meat, cocoa powder and chocolate, tomato paste and concentrate, soap and printed fabrics. Also excluded from liberalisation are half of the products currently attracting 20% duty under the ECOWAS CET such as fish and fish preparations, milk, butter and cheese, vegetables, flour, spirits, cement, paints, perfumes and cosmetics, stationery, textiles and apparel and fully built cars.

At the same time, tariffs will be gradually eliminated on goods such as equipment, fertilisers and other inputs making them cheaper for local businesses. Part of the liberalised lines also corresponds to products which are seldom traded between the EU and West Africa.

Table 9: Examples of liberalised and protected products

Liberalised products: Groups A, B and C	**Protected products: Group D**
Agricultural inputs: Animal or vegetable fertilisers, poultry-keeping machinery, harvesting or threshing machinery, horticultural or forestry machinery, packing machinery, milking machines and dairy machinery, machines for cleaning, sorting or grading seed etc.	**Food products**: milk and cream, yogurt, mango juice (for domestic use), tomatoes, and tomato paste, potatoes, pasta, prepared or preserved fish, fresh or frozen poultry, cocoa powder and chocolate etc.
Industrial inputs: car parts, machines for cutting man-made textile materials, machines for preparing textile fibres, knitting machines, stitch-bonding machines and sewing machines, fishing vessels etc.	**Manufactured products**: assembled motor cars and other motor vehicles, used motor vehicles etc.

Export duties and taxes

Since export restrictions are considered suboptimal means for income generation purposes or industrial policy, no new duties or taxes on exports shall be introduced by the parties. Those currently applied shall not be increased from the date of entry into force of the EPA. In exceptional circumstances however, if West Africa can justify needs for income, promotion of an infant industry or environment protection, West Africa may temporarily introduce or increase export duties on a limited number of goods, subject to a consultation mechanism.

Movement of goods

Once in the territory of one of the parties (the EU or West Africa), goods shall move freely in the territory of the party without being subject to additional custom duties, in keeping with the objective of a customs union. West Africa is however granted a transitional period of 5 years in which to set up a free movement system. Cooperation is foreseen in the areas of fiscal reform and customs procedures.

Most favoured nation clause ("MFN clause")

The most favoured nation (MFN) clause stipulates that the EU shall grant West Africa any more favourable tariff treatment that it grants to a third party. In a similar way, West Africa shall grant the EU any more favourable treatment that it would grant to a large industrial country[42] (or group of countries). However, the MFN clause does not apply to preferential treatment granted by West Africa to countries of Africa or the ACP states, leaving the possibility, for instance, for further integration between African regions without any obligation to extend these preferences to the EU.

Box 5: *Case Study: The EU - West Africa EPA and potato production in West Africa – Protection of local agriculture, food security and economic development*

The socio-economic benefits of potato production in West Africa

Potato production in West Africa has been increasing since the 1990s and amounted to 1 410 thousand tons in 2013.

Figure: potato production in West Africa

	2009	2010	2011	2012	2013
Quantity (thousand tonnes)	1157	1251	1282	1367	1410

Source: FAOStat

Potato production is particularly important for food security and poverty alleviation thanks to the crop's counter-seasonal cultivation and high nutritive content. Potato is indeed cultivated during the dry season, an important asset for farmers in the dry areas which allows for consumption-smoothing. Potato is also a "cash crop" providing West African farmers with more income than other traditional crops such as cereals and cotton.[43]

In West Africa, potato cultivation and inter-regional trade of potato products nevertheless face several constraints such as limited access to cheap quality seed potatoes, machinery tools and storage facilities, weak training on more efficient cultivation techniques, phytosanitary surveillance and commercial organisation[44].

[42] Those are defined in the agreement as countries having both a share of world trade above 1.5% (2% in case of group of countries) and an industrialisation rate above 10% (ratio of manufacturing value added to GDP). Those criteria are fulfilled by a limited number of countries such as the United States, Japan, China, etc.

[43] Vanderhofstadt B., Jouan B. (2009).

[44] *Ibid* p. 11

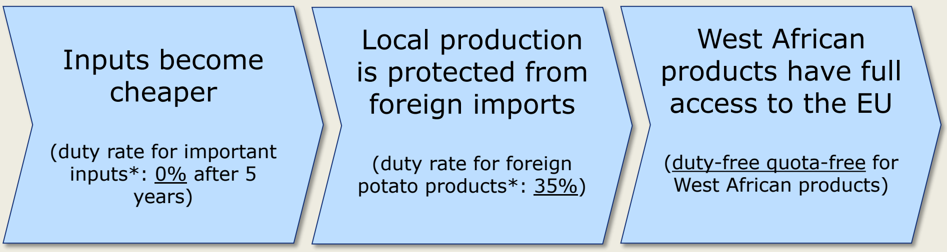
Impact of the EPA on local potato production and on exports

Being considered sensitive, potatoes benefit in the ECOWAS CET from the highest level of protection – a customs duty of 35%. The EPA protects local potato production from trade liberalisation by excluding competing EU products from any tariff reduction. This includes fresh or chilled potatoes, frozen potatoes and other processed potato products. At the same time, the EPA guarantees DFQF access of West African potato products to the EU market so any excess of production could be exported to the EU, particularly of sweet potatoes and other tubers[45] for which there is an increasing demand in the EU.

The EPA will also ease farmers' access to cheap quality inputs, a crucial factor for the competitiveness of the local potato sector and the increase in inter-regional trade[46]. For instance, the agreement foresees the elimination of tariffs on seed potatoes, mineral fertilizers, harvesting and post-harvesting machinery.

These advantages in terms of input access and competitiveness, local protection and market access to the EU are illustrated below.

The potential benefits of the EPA on the potato sector.



**: e.g. seed potato, fertilisers, machinery, storage facility*

**: e.g. non-processed potatoes, frozen potatoes, crisps*

In addition, cooperation on phytosanitary norms

Finally, the EPA emphasises the orientation of the EU development co-operation funds towards trade facilitation and infrastructure projects, which could take the form of technical assistance for skills improvement, phytosanitary control, and better commercial organisation, which can further support competitiveness of the sector in West Africa.

[45] West Africa supplied 8.4% of EU imports of roots and tubers of manioc, arrowroot, salep, jerusalem artichokes, sweet potatoes (HS 0714) in 2014. EU imports of those products increased by 92% from 2005 to 2014. Source COMTRADE database

[46] *Ibid, p. 41*

Rules of origin

Rules of origin are part of any free trade agreement leading to a preferential reduction of tariffs. In today's global economy, many sectors are characterised by successive steps of production organised in international value chains. As a result, final products are composed of components and inputs of various country origins. It is important, therefore, to distinguish the goods which qualify for the preferences agreed under the EPA (because they "originate" from the EU or West Africa), from those goods which do not.

Rules of origin distinguish between "wholly obtained" products and "substantially transformed" products and those which are considered not to originate from the country. For that purpose, the agreement defines:

- The conditions for products to be considered as wholly obtained in West Africa or in the EU (e.g. mineral products extracted from their soil, live animals born and raised there, etc.);

- The types of working or processing operations considered as insufficient to confer the status of originating product (e.g. removal of coverings, affixing of labels, etc.)

- The types of working or processing operations considered as sufficient to confer the status of originating products ("substantial transformation"). Specific annexes define the applicable criteria per category of products (specific conditions). An example is the textile sector, where only "single transformation" is required (i.e. origin is conferred by a single set of processing operations leading to clothing, such as spinning, weaving or assembly), by contrast to the previous "double transformation" rule" (i.e. from yarn to fabric and from fabric to clothing).

- Cumulation of origin, which is a derogation from the basic principle that a product should obtain originating status in a single country, means that producers in more than one country may jointly meet the requirements for a "substantial transformation". Under the Agreement, cumulation or origin is extended to the parties (the EU or West Africa), to other ACP States which apply an EPA, and to the Overseas Countries and Territories associated with the EU (OCTs). Furthermore, new cumulation possibilities are allowed under certain conditions with the EU's GSP and FTA partners. This provision takes account of the fact that value chains extend from different zones: inputs can therefore be sourced from various countries without the risk of losing preferential treatment when exported to the EU. In the long term, the geographical extension will contribute to a better integration of ACP countries in global value chains as well as the creation of value chains across ACP countries.

- "Regional origin": the EPA introduces "West Africa" as a valid origin, as a way to encourage regional value chains, regardless of the West African countries in which the product was produced.

- Conditions for establishing the proof of origin and framework for cooperation in the field of rules of origin between West Africa and the EU.

- Asymmetrical tolerance rule: the agreement defines a ceiling under which "non-originating materials" can still be used in the manufacture of an "originating" product. That ceiling is 10% for products from the EU and 15% for profucts from West Africa (i.e. a product manufactured in West Africa, which uses less than 15% of non-originating materials, would still be considered as originating from West Africa)

- An automatic tuna derogation for tuna products, with a limit of 6000 tons per year.

4.2.Trade defence instruments

The agreement sets out conditions for the use of trade defence instruments. Antidumping and compensatory measures are defined by way of reference to the relevant WTO Agreements. This is also the case for multilateral safeguard measures.

Bilateral safeguard measures are allowed for a limited duration when a product originating from the other party is imported in such quantities and in conditions as to cause or threaten to cause serious injury to the domestic industry, or disruption in a sector of the economy or in a market. In such a case, safeguard measures may consist in the suspension of the reduction in customs duties, an increase in the customs duty (not above MFN rate), or the introduction of tariff quotas for the product concerned. Those measures shall be temporary, proportionate, and subject to a consultation mechanism between the parties.

West Africa also is also allowed to implement safeguard measures to protect infant industries. If a product, following the reduction in the rate of customs duty, is imported in quantities increased to such an amount that it poses a threat to the establishment of a "fledgling industry" or causes or threatens to cause disruption in a fledgling industry producing similar products, West Africa may temporarily suspend the reduction in the rate of customs duty or raise the rate of customs duty (again, not above MFN). Those asymmetric safeguard measures (i.e. available to West Africa but not to the EU) are exceptional in comparison with other FTAs negotiated by the EU.

4.3. Sanitary and phytosanitary measures

Product groups such as raw or processed products of animal or plant origin (e.g. meat, fruits, etc.) are sensitive to human, animal and plant life and health. As a means of protection, most jurisdictions in the world put special measures in place. Whilst legitimate, those measures can become an additional challenge to trade, as it requires certain production capacities, but also a quality infrastructure which is able to certify their conformity with relevant standards and norms. The agreement defines the relevant authorities and obligations in that field, in particular by reference to the relevant WTO agreements. It also foresees enhanced transparency, exchange of information and cooperation.

Box 6: ***Case Study: The EPA and the Senegalese mango sector - The EPA's contribution in response to phytosanitary issues***

To boost West Africa's economic development, the EPA not only protects the region's sensitive and employment-generating sectors from liberalisation but also emphasises the orientation of the EU development cooperation funds towards trade-related infrastructure and trade facilitation measures, to push forward the integration of the region into the world economy. Such aid can for instance be used to overcome sanitary and phytosanitary (SPS) problems.

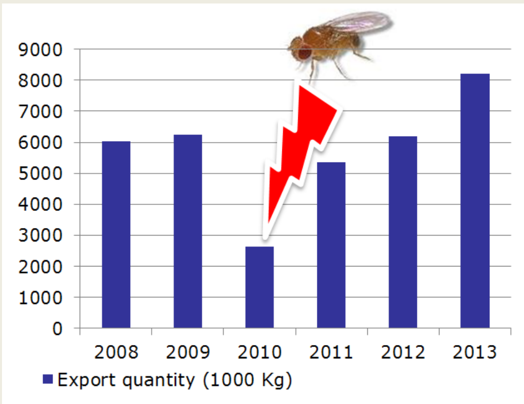
Indeed, despite benefiting from DFQF access to the EU market, West African exports can remain constrained by sanitary and phytosanitary diseases or other local difficulties such as weak transport infrastructure. The EU can help to facilitate trade by funding trade-related development projects aimed at overcoming these obstacles. Such projects will help West African states to fully reap the benefits of the EPA. The mango sector is a case in point.

The mango sector: increasing production but phytosanitary risks

The West African mango sector is booming, with 1.6 million tons of mangoes produced in 2012 and a significant increase in mango orchard areas[47]. The main mango producers in West Africa are Nigeria, Niger, Guinea and Senegal and the EU is an important export market for West African producers[48]. In Senegal, mango cultivation is expanding and offers job opportunities to the rural workforce, especially women and young people[49].

However, the sector has suffered from fruit fly attacks which can sometimes affect up to 80% of ripe fruits and result in serious income losses for export-oriented operators[50]. Indeed, fruits flies are listed as "quarantine insects" and consignment of mangoes containing infested fruits cannot be considered proper for the EU market by the European phytosanitary services[51]. Because of the fruit fly, Senegalese exports dropped from 6.2 to 2.7 thousand tons in 2010 (Figure 1).

Figure: Senegalese export quantities of fresh or dried guavas, mangoes and mangosteens to the EU



Cooperation mechanisms on phytosanitary norms under the EPA

It is therefore important that action be taken to fight against this infestation not only for food security reasons but also to reap full advantage of the opportunities provided by the EPA in terms of full access to the EU market.

[47] Stonehouse J., Ritchie M. (2008).

[48] UNCTAD (2012).

[49] *Ibid* 57

[50] *Ibid* 58

[51] TECA (2010).

To this end, the EU recently agreed to participate in the funding of a development co-operation project (amounting to €17 million) aimed at setting up monitoring and control systems against orchards' infestation as well as supporting research for the development of improved cultivation techniques[52].

Several provisions of the EPA reinforce the cooperation between the EU and West Africa on SPS norms, in order to improve quality control and fight against animal or plant diseases. Those measures will benefit West African producers and will help them export better-quality products to Europe and elsewhere.

Mango producers will also benefit from a stable and predictable framework with regard to the applicable rules and norms.[53] With the EPA, customs cooperation and mutual administrative assistance will be established between the Parties, which will help local and regional authorities to enforce laws and norms more effectively at the local and regional levels. An example of support to mango producers is the *Programme de Renforcement et de Développement des Capacités Commerciales (PRDCC)*, financed by the EU, which accompanied the certification to international private norms such as GlobalGap for the mango sector. This certification is useful to benefit from higher prices in the EU market. Small producers were targeted in order to help them develop their exports.

4.4. Trade facilitation, customs cooperation and mutual administrative assistance

The agreement sets out objectives and undertakings from both parties in the area of trade facilitation, customs cooperation and mutual administrative assistance, with a view to reinforce administrative capacity, promote the facilitation of trade and contribute to development and regional integration.

The chapter covers, for instance, cooperation on automation of customs procedures, technical assistance, development of IT systems to facilitate the electronic exchange of data, simplification of customs requirements, or promotion of regional transit arrangements. With regard to relations with the business community, the agreement encourages an increased transparency of legislation procedures, fees and charges. A special committee on customs and trade facilitation will be established, with the task of monitoring and

[52] Projet "Action de soutien au plan régional de lutte et de contrôle des mouches des fruits en Afrique de l'Ouest"

http://www.eeas.europa.eu/delegations/mali/press_corner/all_news/news/2015/20150803_fr.htm

[53] *Ibid,* 17

discussing all matters relating to customs, rules of origin, tariff classification or mutual administrative assistance.

4.5. Agriculture, fisheries and food security

The tariff schedule for imports into West Africa leaves most agricultural products excluded from liberalisation. The agreement is meant to foster agriculture in West Africa, also by liberalising inputs for agricultural production. Action in connection to the EPA Development Programme should help to increase productivity, competitiveness and diversity of output in the agriculture and fisheries sector. Food security safeguards can be adopted if the agreement results in difficulty for West Africa in obtaining the products necessary for ensuring food security.

The agreement also foresees enhanced cooperation in agriculture and fisheries, based on regular dialogue. Areas for such cooperation are described in the agreement: they cover for instance the promotion of performing irrigation and water management programmes, the improvement of the storage and preservation of agricultural products, the establishment of a vessel monitoring system for West Africa, etc.

4.6. Development and regional integration

The EPA is part of the EU and West Africa's development strategy. Both parties consider that improving access solely to markets alone is not a sufficient condition for bringing about the profitable insertion of West Africa into world trade. Rather, both parties agree that this move should be accompanied by effective measures to spur development across the region. The EU and its Member States therefore agreed to accompany the EPA by supporting actions and projects linked to the development cooperation aspects of the agreement. A significant part of that support will come from the European Development Fund (EDF), especially from National Indicative Programmes and the Regional Indicative Programme for the next implementation period (2014-2020).

Box 7: The Regional Indicative Programme under the 11th EDF (2014-2020)

The Regional Indicative Programme (RIP) for West Africa is a programme funded by the European Union under the European Development Fund (EDF), the overall objective of which is to contribute to reducing poverty through supporting better growth and regional economic integration among countries of the region.

Through the RIP, the EU will make available to the region €1.15 billion, with priorities centred on regional integration. These priorities are:

1. Peace, security and regional stability
2. Regional economic integration and support for trade and private sector
3. Resilience, food and nutritional security and natural resources

With regard to the second priority (regional economic integration and support for trade and private sector), the RIP states: *"There is a great, untapped potential for economic growth via regional integration in West Africa, with a potentially substantial impact on reducing poverty and inequality. The average cost of transport in the region is still one of the highest in the world, and is about four times higher than the average cost of transport in the EU. Regional infrastructure networks are essential to drive trade and investment and encourage peace and stability. The RIP will support the consolidation of the common market, the implementation of the CET and the EPA and the approximation of economic policies, with particular emphasis on trade facilitation, improving domestic resource mobilisation, tax shifting and strengthening the judicial system. It will also improve the competitiveness of the productive system and human resources, and to develop the regional infrastructure network. For infrastructures, the RIP will focus on the use of loan/grant blending that can act as lever by linking development financing institutions and the private sector."*[54]

Within this context, the two regional organisations of West Africa (ECOWAS and UEAMOA) as well as Mauritania have a mandate in the field of economic integration in the region and are therefore responsible for the implementation of the 11th EDF.

[54] See European Union – West Africa - Regional Indicative Programme 2014 – 2020, p. 14. https://ec.europa.eu/europeaid/sites/devco/files/eeas-2015-rip-west-africa_en.pdf

As outlined in the EPA (Article 54), the EU and its Member States undertook to finance the development cooperation aspect of the EPA for a period at least corresponding to the period of economic liberalisation in West Africa, as a means to accompany the EPA implementation. Furthermore, the EU and its Member States agreed to assist West Africa in raising additional funding for the development cooperation aspect of the EPA from other donors with a view to ensuring that the EPA promotes trade and attracts investment to West African countries so as to encourage sustainable growth and reduce poverty.

The EPADP (more commonly known under the French acronym "PAPED") is the overall programme established by the agreement in order to strengthen the development cooperation aspect of the EPA through implementation arrangements and aid instruments. The EPADP must contribute to:

- achieving rapid, sustained economic growth that creates jobs and contributes to sustainable development and reducing poverty in the West African region;
- increasing the diversity and competitiveness of the economies of the West African region;
- increasing the population's output and income;
- deepening the process of regional integration and increasing intra-regional trade;
- increasing the market shares of the West African region on the European market through such measures as improving access to the said market;
- promoting investment in West Africa, partnership between the private sectors of the European Union and West Africa and improving the business environment in the West African region.

These broad objectives are covered within the EPADP "areas of actions" which are defined in the EPA as follows:

- diversifying and increasing production capacities;
- developing intra-regional trade and facilitating access to international markets;
- improving and reinforcing national and regional infrastructures linked to trade;

- making essential adjustments and taking account of other needs linked to trade;

- implementing and monitoring/evaluating of the EPA by the West African region.

When it comes to production processes, the above areas of action are interlinked: the box below provides an example of actions undertaken in favour of the cotton sector in Côte d'Ivoire, focussing on value addition and regional integration.

The EPADP is also the framework for the areas of cooperation detailed in the various chapters of the EPA. Those chapters cover for example the improvement of customs administration, a cooperation mechanism on SPS norms, or the development of an effective Monitoring/Control/Surveillance system for fisheries.

A dialogue and cooperation on taxation adjustment is established. While West Africa undertakes to establish tax reforms as part of the change in taxation resulting from liberalisation, the EU undertakes to help West Africa to implement these reforms and, in view of these reforms, to provide funding to cover the net fiscal impact agreed by the parties for the period of tariff dismantling.

Two instruments of the EPA will be created in the region (Article 61):

- The Competitiveness observatory aims at monitoring and assessing the implementation and impact of all aspects of the EPA from trade liberalisation, sustainable development to development cooperation actions. The monitoring carried out by the Observatory will be done on the basis of indicators agreed upon by the parties.

- The Regional EPA Fund, as a financing mechanism to be created by and for the region, shall be the preferred instrument for channelling support from the EU and its Member States, especially at the regional level.

For the first programming period (2015-2020), the European Commission, the EU Member States and the European Investment Bank (EIB) reached a joint commitment to support the West Africa's EPA Development Programme. Indeed, the EU Council of Ministers decided on 17 March 2014[55] to continue providing at least €6.5 bn. to the PAPED, using all the financial instruments at

[55] Council conclusions on West Africa's EPA Development Programme (PAPED), 7736/14, 17 March 2014.

disposal, including those of the EU Member States and the European Investment Bank (EIB).

Box 8: Case study - *The West Africa-EU Economic Partnership Agreement and the cotton sector in Côte d'Ivoire - Value addition and regional integration*

Cotton production and the Ivorian National export strategy

Côte d'Ivoire mainly produces and exports primary and low value added products. In 2012, 56% of Côte d'Ivoire export value was made of primary products such as cocoa, hydrocarbons and rubber. This bias towards extensive production is done at the expense of a diversified production system, which remains weak despite its stronger growth and sustainability benefits. These trends are explained by weak trade-related institutions and infrastructure, limited training on good agricultural practices and mechanisation, costly inputs and competing informal markets as well as little foreign investment and technology transfers.[56]

Côte d'Ivoire's national export strategy identifies cotton as one of the most promising sectors to undertake a strategy of export-based industrialization and global value chain integration.[57]

Figure: Cotton seed production in Côte d'Ivoire (2008 – 2013, tonnes).

	2008	2009	2010	2011	2012	2013
Quantity (tonnes)	65850	70000	91000	170000	140000	140000

Source: FAOStat

Cotton production plays a crucial role in the country's economic development and rural poverty reduction, especially in the Northern and central regions. Mostly composed of smallholder farmers, the sector produced about 140 000 tons of cotton seeds in 2013 (Figure 1) and has increased its exports of cotton fibre by 50% per cent per year since 2009.

Transformed cotton products as cotton fabrics, shipping bags, or impregnated textiles from Côte d'Ivoire are mostly exported to other ECOWAS countries while the rest of the world absorbs about 10% of total processed cotton products. However, the processing

[56] Stratégie Nationale d'Exportation – République de Côte d'Ivoire 2015 – 2019, p. 65

[57] *Ibid*, p. 84

cotton industry remains weak because of low capital investments and costly inputs, insufficient training and technological equipment[58].

In this context, it was decided that the National export strategy should focus on improving the profitability of the cotton industry, upgrading the governance of the cotton sector, promoting a regional export strategy for value added cotton products.[59]

The EPA and national strategies of value addition in the cotton sector

The EPA will both facilitate producers' access to cheaper inputs and protect the country's cotton and textile industry from competing EU imports.

- On the one hand, producers will have access to cheaper inputs, such as fertilizers and machinery tools e.g. ploughs[60].

- On the other hand, transformed and higher value added products are excluded from liberalisation, for instance extracted and transformed cotton-seed oil, products resulting from spinning, cotton sewing thread, and cotton yarn, as well as from the weaving of cotton yarns, woven fabrics of cotton. The EPA will also protect Côte d'Ivoire's textile manufacturing and exclude embroidery products.[61]

Examples of development cooperation projects benefiting the cotton sector

From 2006 to 2011, the EU helped to finance a project supporting the sustainable recovery of the Ivorian cotton sector[62.] As a result, cotton yields have increased (from 862 kilos in 2007 to one ton in 2012). Besides, the EU has allocated €13.5 million to the rehabilitation of transport infrastructure in rural Côte d'Ivoire[63].

[58] *Ibid*, p. 31

[59] *Ibid* p. 67

[60] Ploughs (HS product code 84.32) belong to the liberalisation group B (liberalised after 10 years)

[61] EU exports are not likely to disrupt West African production, since the EU production only accounts for 2% of the world production.

[62] See "Programme de Relance durable de la filière coton en Côte d'Ivoire (2006 – 2011)", which aimed at both increasing yields by distributing better quality seeds and strengthening the sector's professional organisations.

[63] See "Réhabilitation des infrastructures de transports en milieu rural en Côte d'Ivoire (2008 – 2012)", which has operationalized 54 crossings and eased producers' access to distribution markets in the cotton and coffee sectors.

The EPA's contribution to regional integration and to the creation of regional value chains

Many West African countries produce cotton: Burkina Faso, Mali, Côte d'Ivoire, Benin and Togo are among the top-20 exporters of cotton, although far below the USA, India, Australia and Brazil.[64]

With regard to regional integration, the EPA provides the opportunity to develop value chains across the region. This is particularly relevant for value addition. Under the EPA's provisions on rules of origin, a manufacturer of higher-value cotton product in Côte d'Ivoire can source cotton and other inputs from any country of the region, and still export it to Europe DFQF.

The development cooperation provisions of the EPA also provide a framework for action towards more regional integration. By way of example, the EU funded a project of Trade Support and Regional Integration in West Africa (2009 - 2015)[65]. The EPA also foresees bilateral customs cooperation and mutual administrative assistance, which could help to improve the control of foreign imports in the territory. The EU is, for instance, helping WAEMU Member States to improve the implementation of the existing regulations for the free movement of goods in the region[66].

[64] Source: COMTRADE (2011).

[65] See the EU's "Programme d'Appui au Commerce et à l'Intégration Régionale (PACIR) 2009/ 021-309" (Programme supporting trade and regional integration 2009/ 021-309).

[66] See the EU's "West Africa Regional Economic Integration and Trade Programme (2014–2018) 2013/ 024-212".

5. Literature review

This section is organized along the quantifiable topics of the EPAs economic implications for West African countries. After depicting the literature on fiscal system impacts, the section describes the identified effects on trade dynamics and social welfare.

5.1. Overview

Quantitative research has focused on the direct effects of trade i.e. the fiscal, consumption and employment aspects and, to a lesser extent, on the indirect and more institutional impact of the EPAs, e.g. tax system efficiency. Studies were done both at the regional and country levels of the West African region.

Research difficulties were encountered due to limited data availability and 'blind' assumptions on the timeframe and scope of trade liberalisation. Most studies were indeed conducted before the conclusion of the agreement, and had to guess the magnitude and nature of tariff cuts. Studies also made different assumptions on product exclusion as well as on the implementation schedule. Yet, the exclusion of sensitive products and the length of the transition period significantly affect the estimation of the EPA's effects. Finally, the limited availability of data have led researchers to focus on the static and short-term implications such as fiscal losses, ignoring the long-term impact linked to inter-sectorial changes, a widening market and its positive impact on fiscal revenues and development.

Specifically, most research is based on the use of partial equilibrium models which, while allowing for a detailed analysis on the effects of trade policy change at the product and firm level, do not account for the adjustment within and between firms, sectors and households, i.e. the dynamic effects of trade policy reforms.

5.2. The EPA's impact on trade, firms' productivity and consumers

At the regional level, Busse (2004) finds that trade creation exceeds trade diversion in all West African countries, with an increase in ECOWAS exports to the EU by 4.5% while ECOWAS imports from the EU would increase by 15% at the end of the liberalisation process[67]. Using a partial equilibrium model, Karingi (2005), finds that trade diversion from ECOWAS is rather significant[68].

[67] Fontagne L., Mitaritonna C., Laborde D. (2008).

[68] Karingi S., Lang R., Oulmane N., Perez R., Sadni Jallab M., Hammouda H. (2005).

However, Karingi assumes full reciprocity between the EU and ECOWAS. No information is provided on the kind of products that would be most affected by trade diversion and whether these products will in fact be covered by the liberalisation process. This study also predicts that consumers derive important gains from the EPAs benefitting from lower prices.

Mevel (2014) shows that ECOWAS's total exports to the EU are expected to grow by 12% in 2040 and that the EU's exports to ECOMAS would increase by 22%[69]. It also states that non-LDCs are likely to benefit more from the agreements than LDCs, accounting for 96.4% of total export gains to the EU, concentrated in the agricultural sectors of rice, milk, sugar and meat. The reason for lower export gains for LDCs mainly stems from the fact that LDCs already face favourable market access conditions. However, as non-LDCs increase their exports in newly liberalised products, the researchers suggest that less intense competition in previously liberalised products will provide more export opportunities for LDCs in these sectors (energy, fishing, crops and livestock).

Country-level studies highlight the positive effect of the EPAs on the domestic industry and firms' competitiveness, in particular in the long-term. In Ghana, according to Von Uexkull (2015), the EPA enables 75% of the firms in the manufacturing sector (representing 84% of the manufacturing workers) to experience a net benefit resulting from lower prices and easier access to imported products[70]. The losses are concentrated in the Mineral Products and Furniture sectors while the sectors that gain the most from liberalisation would be processed cocoa, fruit and vegetables and fish. The EPA not only generates short-term benefits but is also likely to generate positive growth dynamics in the long-run by reducing imposed costs on consumers, facilitating access to intermediate goods and thus increasing the firms' global competitiveness.[71]. With regard to consumer welfare, the EPAs lead to a reduction in consumption prices and could offset the negative effect of higher tariffs from the CET. For instance, in Ghana, the price of the consumption bundle is decreased by 0.4% compared to the CET level[72].

Similarly, in Nigeria, the net effect of the EPA on the median firm's profitability is positive because of the gradual reduction of input prices. Most firms would either see their profitability increase or remain unchanged[73]. Households from all income categories would see the price of the average

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[69] Karingi S., Mevel S. (2014).

[70] Von Uexkull E., MacLeod J., Shui L. (2015).

[71] *Ibid*, p. 20.

[72] Von Uexkull E., MacLeod J., Shui L. (2014).

[73] von Uexkull E., Njinkeu D., Maur, J-C., Coste A., Shui (2014).

consumption bundle decline by 0.4%, more particularly resulting from a price reduction in processed vegetables[74].

In Guinea, Mevel (2014) finds that the EPA entails a trade diversion away from ECOWAS partners of 1.2% in favour of the EU for which Guinea's exports increase by 4.5%, especially in the mining and energy sectors[75].

As far as industry liberalisation is concerned, two studies find that industry protection is not needed in Senegal[76] and the Gambia[77]. This would be explained by the fact that the average tariff rate on EU imports is already low (7%) in both cases and that most imports from the EU are not in competition with domestic production. Both studies nevertheless advise the exclusion of agricultural products from the liberalisation process. According to the studies, industrial tariffs are not protective but rather revenue generating and the industry sector might in fact benefit from gradual liberalisation: it enables the good sequencing of restructuring while providing incentives to improve international competitiveness.

5.3.The EPA's effect on import duties in West Africa

To estimate the overall impact on government revenues, a study by Fontagne (2008) distinguishes between the direct effect, due to tariff liberalisation, a trade diversion effect and a domestic effect (more transactions in the formal economy)[78]. Using a partial equilibrium model and assuming that liberalisation will be gradual (14 years, 2008-2022) as well as protective of sensitive agricultural products, researchers find that annual losses of tariff revenue on EU products would amount to €700 million in the long run for ECOWAS. The study finds that the overall tariff revenue is predicted to be reduced by 38% in ECOWAS at the end of the liberalisation period.

At the country level, several studies were performed using a partial equilibrium model. In the Gambia, if trade liberalisation concerning 80% of products is implemented over 15 to 20 years, the fiscal impact will be manageable, representing only 0.5% of GDP[79]. Similarly, it is predicted that, under similar conditions, losses of customs duties in Senegal would be in the

[74] Von Uexkull E., Njinkeu D., Maur, J-C., Coste A., Shui (2014).

[75] Karingi S., Mevel S. (2014).

[76] Mueller J. Lakwijk F., Roudet S., Segura-Ubiergo A., Mitra P., and Adenauer I. (2008).

[77] Tsikata T., Dwight L., Sriram S., Segura-Ubiergo A., and Amornvivat S. (2008).

[78] Fontagne L., Mitaritonna C., Laborde D. (2008).

[79] Tsikata T., Dwight L., Sriram S., Segura-Ubiergo A., and Amornvivat S. (2008).

magnitude of the equivalent of 1.2% of GDP when liberalisation is completed[80]. Such findings are explained by the improvement of the countries' fiscal systems and their decreasing reliance on customs duties to finance public expenditure.

More recent studies have analysed the economic effects for Ghana and Nigeria. Based on a partial equilibrium model, these studies have used the final EPA market access offer, also taking into account the implications of the ECOWAS Common External Tariff. In Ghana, the study predicts that, while CET results in an increase of collected import duties, the EPA reduces that number when fully implemented[81]: total government revenue is expected to decrease by 1.6% from the CET level due to the EPA. At the same time, the EPA offsets the adverse effect of CET-induced reduction in total imports by 1% annually. In Nigeria, the EPA induces a reduction of the average tariff protection from 11.3% to 9.2% once fully implemented, leading to a 0.8% reduction of total fiscal revenue by 2035[82].

Finally, using a dynamic multi-region multi-sector Computable General Equilibrium model for Guinea, Mevel (2014) finds that while tariff revenues would decrease by 27%, the negative effect on the country's real income remains small, accounting for US$ 0.4 million by 2040.

5.4. Impact of accompanying policies in West Africa

Overall, the quantitative assessments suggest a moderate economic impact of the EPA on West Africa given its gradual and protective approach, allowing for the implementation of compensation mechanisms and funds, such as the EPADP, to help workers in the transition and implement institutional measures to counter the negative impacts on fiscal revenues (upgrading fiscal systems, limiting exemptions and fighting against corruption). In particular, several studies point to accompanying policies to boost productivity. Those policies are expected to have a much larger effect on economic growth, offsetting the effects of the EPA. For instance, Von Uexkull (2014) finds that reducing power outages by 50% increases Ghanaian firms' profitability by almost 20% and that of Nigerian firms by 12% by 2035. Similarly, halving transport costs increases Ghanaian firms' competitiveness by 15% and that of Nigerian firms by 4.5%.

[80] Mueller J. Lakwijk F., Roudet S., Segura-Ubiergo A., Mitra P., and Adenauer I. (2008).

[81] Von Uexkull E., MacLeod J., Shui L. (2015).

[82] von Uexkull E., Njinkeu D., Maur, J-C., Coste A., Shui (2014).

6. Analysis of the potential economic effects of the tariff reductions set out in the EPA

6.1.Description of the methodology

The objective of this section is to assess the economic effects of the EU-West Africa EPA, primarily on West African countries, in terms of welfare, production, government revenue and poverty. The assessment is based on a dynamic multi-country multi-sector Computable General Equilibrium (CGE) model. In general, CGE models evaluate the impact of policy shocks, e.g. trade policy changes, on macroeconomic variables such as income, prices, production and employment.

The CGE model used for this study is MIRAGRODEP, which is a recent version of MIRAGE[83], developed for the AGRODEP initiative[84]. Since the EPA involves many countries, it is important to use a multi-country model so as to represent in detail and consistently the economic and trade relations with the rest of the world. The gradual implementation of the agreement, i.e. gradual tariff reductions, necessitates the use of a dynamic version of the model, under which the model is being solved sequentially and the equilibrium is moved from one year to another.

Initially, the structure of the examined economies - with all the associated transactions among the economic agents (households, government, firms) - is reproduced. A dynamic baseline is then simulated so as to project the economic situation of these countries within a specific timeframe. The baseline reflects current EU and West Africa's Free Trade Agreements in force as well as those for which negotiations have been concluded, including the Common External Tariff (CET) that is in force in ECOWAS countries since January 2015. Without the EPA, the West African LDCs would remain under the EBA initiative, while non-LDCs would benefit from the EU's GSP (GSP standard, and GSP+ for Cape Verde).[85]

A scenario simulation is then performed under the assumption that a specific policy change takes place and the result is compared to the baseline. Specifically, the economic effects of the EPA are quantified based on the tariff dismantling schedule set out in the EPA (gradual and partial dismantling for

[83] MIRAGE (Modeling International Relations under Applied General Equilibrium) is a model initially developed by CEPII (Centre d'Études Prospectives et d'Informations Internationales) and devoted to trade policy analysis.

[84] The African Growth and Development Policy modeling consortium aims to enable African experts to lead in policies related to the region’s strategic development and agricultural growth.

[85] Ghana and Côte d'Ivoire currently benefit from a temporary arrangement, the Market Access Regulation, which cannot be expected to last in the long-term in the absence of EPA. For that reason, both countries are considered, in the baseline, as benefitting from GSP.

EU products exported to West Africa, immediate and full liberalisation for West African products exported to the EU) by comparison to the baseline. Both the baseline and the EPA scenario are projected for 20 years up to the year 2035.

The specific characteristics of the African continent are taken into due consideration with cutting-edge specifications that are introduced in the model and the overall analysis:

- Fiscal revenues of West African countries: The effect of the agreement on public revenues is projected based on actual revenues instead of nominal import duties and accounting for fiscal inefficiencies[86].
- Impact of the agreement on poverty and inequality: The CGE model is complemented by a top down micro-simulation approach. With the use of a micro-macro distributional toolbox[87], the impact at the macroeconomic level (change in relative prices of goods, impact on labour market, change in relative factor remuneration, change in government revenue, change in consumption pattern by households etc.) are linked to microeconomic data (e.g. household budget surveys) to account for impacts at the household level and to analyse the effects on income distribution. Due to data availability constraints, the micro-simulation exercise was conducted for two countries; Nigeria and Ghana[88]. These two countries account for 84% of the region's GDP and 60% of its population.
- Additional sensitivity analysis was carried out in order to address the specificities of the region and of the agreement (weight of informal sector, EPADP). However, those options presented additional methodological complexity and their impact was rather limited on the results (see Annex 5):
    - Dual-dual economy: The objective of this option is to make a distinction between workers attached to the rural versus the urban sector and the informal versus the formal one, so as to account for

[86] As most African economies have a relatively low rate of effective tax collection, considering that their tariff revenue is equal to the product of nominal tariff and trade flows is an overestimation. Therefore, country-sector specific or country specific efficiency ratios are used to duplicate effective tariff revenue as indicated in International Monetary Fund’s (IMF) financial reports. See for instance Decaluwe B., Laborde D., Maisonnave H. and Robichaud V. (2008).

[87] http://www.agrodep.org/model/micro-macro-distributional-analysis-toolbox.

[88] The household surveys that were used were the General Household Survey carried out in 2010/11 for Nigeria and the Ghana Living Standards Survey 5 carried out in 2005/06. These were the only household surveys that were publicly available and included an income module (households' income sources, apart from the expenditure/ consumption component).

differences in the production and consumption decisions of each category and the contingent labour migration among them[89].

- EPADP: The objective of this analysis is to consider that part of the EPADP would be directed to aid for trade, infrastructure and upgrade of production capacities in the region, thus affecting West African farmers and firms' productivity and competitiveness.

The **database** used was Global Trade Analysis Project-GTAP 9[90], a fully-documented, publicly available global database which contains complete bilateral trade information, transport and protection linkages among 140 regions for all 57 GTAP commodities for 2011. Specifically, the Social Accounting Matrixes (SAMs)[91] of 8 out of the 16 West African countries (Benin, Burkina Faso, Côte d'Ivoire, Ghana, Niger, Nigeria, Senegal, Togo) are included, with the remaining 8 countries being embedded in the region Rest of West Africa. The main macroeconomic variables (e.g. GDP, trade data) were updated to reflect the latest available data.

6.2. Analysis of the results

This section presents the main results, at macroeconomic and microeconomic level, from implementing the tariff reductions set out in the EPA. Individual country results are generated for Nigeria, Ghana, Côte d'Ivoire, Senegal, Burkina Faso, Benin and Togo, which represent 94% of the region's GDP and 81% of its population. The remaining countries[92] are aggregated in a single category, called for the purpose of this study "Rest of ECOWAS"[93]. It is important to note that the results in this section refer to the EPA scenario compared to the baseline in 2035. For example, if there is a "5% increase" in bilateral exports in 2035, this means that bilateral exports would be 5% higher with the EPA than without. Respectively, a "5% decrease" does not necessarily mean that bilateral exports will decrease compared to today;

[89] This modeling is inspired from Stifel and Thorbecke (2003), designed in a way that matched West Africa's sector decomposition. See also Bouët, A., Dienesch, E. and Fall C. S. (2013).

[90] In April 2015 the GTAP 8 database (with 2007 data) was publicly available, but a pre-release of the GTAP 9 database was available to Board members.

[91] Social Accounting Matrices provide a comprehensive picture of all the economic transactions (production, consumption of goods and services, investments, savings, foreign trade) among the economic agents (government, households, firms).

[92] Given the lack of available data, Mauritania was not included in this analysis. Therefore, in this section, "West Africa" has to be understood as equivalent to ECOWAS.

[93] Individual data and SAMs are not available for the remaining 8 West African countries. Moreover, the existence of many zero values in the trade structure of these countries necessitates the aggregation of these figures in a single category so that the model equations can be solved.

rather it implies that bilateral exports in 2035 are lower by 5% compared to their would-be value in 2035 without the EPA.

Macroeconomic outputs (GDP, welfare, trade)

The main macroeconomic results from the model simulations are summarised in the following table. Twenty years after the entry into force, the tariff reductions have a small but positive impact on both **real GDP** and **economic welfare** for all West African countries. For example, in 2035, Côte d'Ivoire's real GDP will be 0.5% higher and welfare 0.7% higher, compared to the situation where an EPA would not be in place. More than half of these gains will materialise in the first decade. The indicator for welfare is a summary measure of the impacts on the supply side and the demand side. It measures the change in utility for a particular household and is expressed as the difference between nominal household income and an expenditure price index for the household. The agreement has negligible effect in terms of GDP and welfare on parties that are not part of it.

Table 10: Macroeconomic effects, 2035 (EPA vs. baseline, %)

	GDP	Welfare
Benin	0.0	0.2
Burkina Faso	0.5	0.6
Côte d'Ivoire	0.5	0.7
Ghana	0.1	0.4
Nigeria	0.1	0.1
Senegal	0.4	0.6
Togo	0.0	0.5
Rest of ECOWAS	0.1	0.5

Source: CGE simulations carried out for DG Trade[94]

Total exports of West Africa to the world also increase as a result of the EPA, e.g. by 1.3% for Nigeria and 3.0% for Senegal, whereas the imports increase is lower (+1.2% and +1.6% respectively). In total, West Africa's exports increase by 1.5% and West Africa's imports by 1.2%. The impact of the EPA on EU trade with the world is positive but very small (+0.1%) given the relatively share of EU's trade with West Africa in the EU's total trade with the world.

[94] These simulations were performed by Bouët A., Laborde D. and Traoré F. (CEPR-IFPRI).

Table 11: Total trade in 2035 (EPA vs. baseline, %)

	Total Exports	Total Imports
Benin	2.7	0.8
Burkina Faso	2.5	3.4
Côte d'Ivoire	2.5	3.3
Ghana	2.8	1.8
Nigeria	1.3	1.2
Senegal	3.0	1.6
Togo	1.4	0.7
Rest of ECOWAS	1.3	0.6
West Africa (all countries)	1.5	1.2
Rest of Africa	0.0	0.0
European Union	0.1	0.1

Source: CGE simulations carried out for DG Trade, own calculations

West Africa's exports to Europe

The impact of the EPA regarding EU-West Africa bilateral trade are in line with expectations, as West African countries already enjoy DFQF in the EU market or low duties under the GSP and GSP+ schemes. West Africa's exports to the EU would be 4.1% higher under the EPA.

Individual country results can be seen in Table 16. For example, exports from Côte d'Ivoire to the EU increase by 10.7%.

Table 12: West Africa's exports to Europe, 2035 (EPA vs. baseline, %)

	Exports to the EU
Benin	4.2
Burkina Faso	2.1
Côte d'Ivoire	10.7
Ghana	7.3
Nigeria	2.5
Senegal	3.5
Togo	1.8
Rest of ECOWAS	2.6
West Africa	*4.1*

Source: CGE simulations carried out for DG Trade.

The EPA effects on the main sectors of the West Africa countries, i.e. sectors that represent above 5% of total exports of each West African country, can be seen in Table 24. Almost all West Africa's exports to the EU are positively affected by the agreement, but the impact on individual sectors diverges depending on the original level of protection and on the value of trade in sensitive and non-sensitive products. For instance, Ghana's exports of vegetables and fruits to the EU increase by 26.1% as a result of the EPA, Senegal's exports of fossil fuels by 20.3% and Burkina Faso's exports of other crops by 2.5%.

Exports by sector (West Africa to the world)

The individual sectors which were examined for this study are aggregated in three main categories; agriculture/food, industry/energy/raw materials and services, in

Table 13. Overall, all categories are positively impacted by the EPA, including industry and services. At sector level, an increase is estimated in all sectors but three ("cattle", "other crops" and "other minerals"), with considerable increases occurring in Cereals (+10.2%), "Other Food" (+9.9%), Red Meat (+8.4%) and Wearing Apparel (+12.8%)[95].

Table 14 and Table 15 depict further the impacts on West Africa's total exports, as well as on their total production, regarding the main exporting and production sectors of each West African country. All sectors that represent above 5% of total exports/ production of each West African country (as estimated under the baseline in 2035) are represented (70-93% coverage of total exports for each individual West African country). For example, 46% of Benin's total exports are in metals. These exports are positively affected by the EPA, as they increase by 3.3%. The last column shows the aggregate impact on each country's main export sectors, e.g. Burkina Faso increases its exports by 2.6% in its main export sectors (i.e. in 92% of its total exports).

[95] The percentage of each sector in West Africa's total exports is provided in Annex 4.

Table 13: **Total exports by sector, West Africa, 2035 (EPA vs. baseline, %)**

Sector		EPA's impact
Agriculture / Food	Beverage and Tobacco	0.8
	Cattle	-1.4
	Cereals	10.2
	Dairy products	0.4
	Fisheries	0.7
	Oilseeds	0.7
	Other Animal	1.2
	Other Crops	-0.6
	Other Food	9.9
	Plant Fibers	0.1
	Red Meat	8.4
	Rice	7.0
	Sugar	0.5
	Vegetable Oil	1.0
	Vegetables and Fruits	2.8
	White Meat	1.9
Industry / Energy / raw materials	Capital Goods	3.3
	Chemicals	3.0
	Electronics	3.3
	Fossil Fuel	1.1
	Leather Product	2.4
	Metals	3.4
	Motor Vehicles	1.5
	Other Industries	2.2
	Other Mineral	-2.2
	Other Natural Resources	0.3
	Paper Products	0.1
	Textile	2.6
	Wearing Apparel	12.8
	Wood Products	0.9

Services	Business Services	1.0
	Construction	1.7
	Other services	0.6
	Public Services	1.2
	Trade	1.0
	Transportation	3.3
	Utilities	3.2

Source: CGE simulations carried out for DG Trade

Production by sector

Production-wise, almost all the main **production** sectors of each West African country are positively affected by the agreement. Côte d'Ivoire's production of vegetables and fruits, which accounts for 7% of its production in 2035, increases by 1% as a result of the EPA compared to the baseline. Burkina Faso increases by 2% its production of other natural resources (which represents 8% of its total production)[96]. A positive expansion takes place in business services in Senegal, transportation in Togo and metals in Benin, Burkina Faso and Ghana.

The explanation behind the decrease in public services in West Africa countries is the fact that government consumption decreases due to the partial loss of public revenues from customs duties resulting from the EPA (the impact on tariff revenues is described later on). Nevertheless, West Africa governments could offset the loss in customs duties *(*see below the impact on customs revenue), through fiscal measures.

In total, the production of each West African country is positively affected by the EPA, though to a marginal extent (ranging from 0.1% in Nigeria to 0.7 % in Benin and 0.8% in Senegal). EU's total production is not affected by the EPA.

[96] Moreover, Togo's production of other mineral (accounting for 5% of its total production) increases by 1.2% and Burkina Faso's cereals (6% of its total production) decreases by 0.1%. These values are not included in the table due to limited space.

Table 14: West Africa's total exports by main sectors. 2035
(1st column: EPA vs. baseline, %; 2nd column: share in the country's exports, baseline)

	Vegetables and fruits		Plant fibers		Other crops		Other food		Chemicals		Other natural resources		Fossil fuel		Other minerals		Metals		Transportation		Business services		Public services		Other services		Total (main sectors)	
	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share
BF			0.6	10%									1.9	10%			3.0	72%									2.6	92%
BJ	0.2	14%	0.3	11%							0.1	7%					3.3	46%	13.4	5%					0.6	5%	2.6	88%
CI	4.4	10%			-1.4	21%	20.0	14%	-0.3	14%			-5.3	5%									0.7	7%			3.8	71%
GH	4.4	7%			-0.1	19%					0.3	8%					3.5	27%			1.0	6%					2.0	67%
NG													1.1	93%													1.1	93%
SN							1.9	13%	4.2	15%					-2.7	13%	5.0	16%	5.0	7%	2.5	9%					2.6	73%
TG			0.6	6%	0.6	22%					0.5	16%			-1.2	12%	4.5	14%					2.2	7%			1.2	77%
RE							1.8	8%	2.5	8%	0.3	30%	0.7	10%			2.8	14%									1.3	70%

Source: CGE simulations carried out for DG Trade. Note: BJ = Benin, BF = Burkina Faso, CI = Côte d'Ivoire, GH = Ghana, NG = Nigeria, SN = Senegal, TG = Togo, RE = Rest of ECOWAS.

Table 15: West Africa's production by main sectors, 2035
(1st column: EPA vs. baseline, %; 2nd column: share in the country's production, baseline)

	Vegetables and Fruits		Other Crops		Other Food		Chemicals		Construction		Other Natural Resources		Fossil Fuel		Metals		Capital goods		Trade		Transportation		Business Services		Other services		Public Services	
	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share	EPA	Share
BF									1.0	6%	2.0	8%			3.0	13%							0.5	7%	0.7	5%	-0.6	13%
BJ	0.1	11%					0.6	6%	0.3	21%					3.8	9%			1.1	5%			1.3	8%			-3.1	11%
CI	1.0	7%	-0.8	7%			-0.4	6%											0.5	8%	1.0	5%	0.1	16%			-0.6	10%
GH	0.4	10%							0.6	10%					2.2	7%	-0.8	5%	0.3	7%	0.3	8%			0.3	7%	-2.0	15%
NG	0.1	12%											0.3	26%			-0.1	5%	0.0	11%							-0.7	10%
SN					0.8	7%	2.4	5%	0.9	12%									0.8	13%			1.0	19%			-5.0	6%
TG			0.6	7%					0.3	16%	0.9	6%			4.6	5%			1.0	11%	5.2	6%					-4.9	10%
RE	0.2	5%			1.2	5%			0.5	5%	0.5	8%			1.8	6%			0.7	9%	1.1	5%	0.3	10%	0.4	7%	-2.4	12%

Source: CGE simulations carried out for DG Trade

Imports from the EU to West Africa

As a result of trade liberalisation, **imports from the EU** to West Africa are also positively affected by the EPA. EU's exports to West Africa would be 23.3% higher with the EPA than without (see below the analysis regarding potential trade diversion and Table 24 in Annex 5 for a breakdown by main sectors).

Individual country results can be seen in Table 16. For example, exports from the EU to Côte d'Ivoire increase by 18.3% compared to the baseline.

Table 16: West Africa's imports from Europe, 2035 (EPA vs. baseline, %)

	Imports from the EU
Benin	19.9
Burkina Faso	29.5
Côte d'Ivoire	18.3
Ghana	29.5
Nigeria	21.2
Senegal	18.9
Togo	22.2
Rest of ECOWAS	33.4
West Africa	*23.3*

Source: CGE simulations carried out for DG Trade.

Breakdown of West Africa's trade by trading partner

The EPA slightly improves the EU's market access in West Africa, by comparison to other trade partners. This improvement results in small trade diversion effects. West African countries substitute some of their imports from the rest of the world by EU products and redirect a small part of their exports to the EU market. While the overall **pattern of trade partners** would not be modified, small adjustments are expected (see Table 17).

For instance, 25.1% of West African imports would originate from the EU (compared to 20.6% in the baseline), mostly to the disadvantage of Asia's and NAFTA's exports to West Africa.

Table 17: West Africa's exports to/ imports from the world, 2035 (share of total trade, %)

	Share of West Africa's imports		Share of West Africa's exports	
	Baseline	Scenario	Baseline	Scenario
Asia	43.3	40.8	26.3	26.2
Caribbean Community (CARICOM)	4.7	4.5	0.7	0.7
Community of Independent States (CIS)	1.8	1.7	1.4	1.4
European Union	20.6	25.1	16.8	17.2
Latin America	4.2	4.0	4.4	4.4
Middle East and North Africa (MENA)	5.1	4.8	4.0	4.1
North American Free Trade Agreement (NAFTA)	12.0	11.3	32.4	32.4
West Africa	4.6	4.3	5.5	5.2
Rest of Africa	2.1	2.0	4.8	4.8
Rest of the world	1.6	1.5	3.7	3.7

Source: CGE simulations carried out for DG Trade, own calculations

Remuneration of production factors

The **remuneration of the factors of production** is generally positively affected by the EPA, albeit to a small extent.

Remuneration of labour is positively affected in all countries. For instance, as shown in the table below, labour remuneration in Togo increases by 0.8%[97]. The remuneration of capital increases by 1.3% in Benin, whereas that of natural resources by 0.8% in Nigeria.

On the other hand, only the remuneration of capital is negatively affected in Côte d'Ivoire and Togo, and so is the remuneration of natural resources (e.g. mining, oil and fishing) in Côte d'Ivoire.

[97] The remuneration of unskilled labour is positively affected by the EPA in all West African countries. Nevertheless in some countries wages of skilled labour slightly decrease.

Table 18: Remuneration of production factors, 2035 (EPA vs. baseline, %)

	Labour	Capital	Land	Natural resources
Benin	0.3	1.3	0.7	0.7
Burkina Faso	0.4	0.1	0.4	1.3
Côte d'Ivoire	0.9	-1.1	1.1	-0.9
Ghana	0.6	0.2	0.8	0.7
Nigeria	0.0	0.4	-0.1	0.8
Senegal	0.5	0.5	0.5	0.8
Togo	0.8	-0.3	0.9	1.0
Rest of ECOWAS	0.3	0.6	0.4	1.0

Source: CGE simulations carried out for DG Trade

Impact on poverty

Based on the micro-simulation approach, the tariff reduction will have a (marginal) positive impact on poverty reduction in West Africa. As depicted in the table below, the percentage of the population living with less than 1.25 USD a day decreases slightly by 0.02 p.p. in Ghana and by 0.01 p.p. in Nigeria thanks to the EPA.

Table 19: Impact on poverty (% of population below 1USD and 1.25USD per day) in Ghana and Nigeria, 2035 (percentage points)

	Ghana	Nigeria
1 USD	-0.03	-0.01
1.25 USD	-0.02	-0.01

Source: CGE simulations carried out for DG Trade

Impact on import duties

As a result of the tariff reduction, West African countries will collect less import duty. The decrease in collected import duties for West Africa is on average of 11.7% at the end of the liberalisation period (see Table 20). It differs by country, depending on the share of EU products in the imports of the country.

It is worth recalling that this change in tariff revenue, which would be equivalent to 2% of total government revenues[98], is merely a displacement of resources from governments to consumers and companies. Therefore, the loss of import duties identified above has no impact as such on the overall GDP, which is expected to increase as a result of the EPA (see Table 10).

Table 20: Collected import duties, 2035 (% change EPA vs. baseline, %)

	Change in collected import duties (% vs. baseline)
Benin	-6.1
Burkina Faso	-25.5
Côte d'Ivoire	-15.2
Ghana	-12.7
Nigeria	-14.6
Senegal	-21.8
Togo	-9.4
Rest of ECOWAS	-8.1
West Africa	*-11.7*

Source: CGE simulations carried out for DG Trade

Tariff and fiscal reform

The role of tariffs in development cannot be looked at from the perspective of government revenue alone, but should also take into consideration the welfare of consumers and the needs of local businesses that create jobs and wealth. Because of tariffs, people with low income have to pay higher prices for the products they buy and local entrepreneurs become less competitive because they pay high prices on inputs.

[98] This percentage is a benchmark to assess the magnitude of the change in import duties collected by West African countries. The 11.7% of reduced import duties are equivalent to 0.34% of West Africa's GDP. Since the level of government revenues over GDP in 2035 could not be predicted by the simulation, we use the WAEMU convergence criteria of 17% of government revenue over GDP (an hypothesis which is conservative given that most countries are already above that criteria).

The reduction in import duties is not lost for the country, but can be considered as a transfer from the government to consumers and businesses. It is therefore for the governments to assess the extent to which, through fiscal reforms, all or part of the foregone duties should come back to the public budget.

- A tendency in most African countries in recent years has been to reduce government's dependence from customs duties: at the same time as trade was increasing, collected trade taxes as a share of GDP decreased in Africa from 3% to 2% between 1996 and 2006[99], and from 4% to 3% between 1996 and 2009 in the West African Economic and Monetary Union[100].
- Mauritius is a good example, since the country moved from dependency on international trade taxes, which represented close to 50% of GDP during the 1970s, 1980s and 1990s, but less than 5% in 2008. Mauritian authorities introduced VAT in 1998 and a flat tax rate of 15% on corporate and personal incomes in 2007. This helped the fiscal system to absorb shocks and to provide stable revenue flows to the government.[101]
- Most African countries now have a VAT system in place, but with uneven efficiency. Improvements in the existing VAT system were for instance undertaken by Kenya in 2013, which moved from a narrow-based VAT with numerous exemptions to a broader base with limited exceptions (medicines, foodstuff).[102]
- Other avenues for improving fiscal systems in West Africa include reducing exemptions, improving actual collection of taxes, and reducing the cost of administration and compliance thus lessening the scope for corruption and fraud. Development cooperation can also help in that regard.

Additional simulations

As mentioned above, additional simulations were performed taking into account the specific characteristics of the African continent with regard to the existence of formal and informal sectors, and rural and urban ones (dual-dual

[99]OECD/AfDB/ECA (2010), African Economic Outlook 2010, OECD Publishing, Paris p. 95

[100] Montagnat-Rentier G. and Parent G. (2012), *Customs Administration Reform and Modernization in Francophone Sub-Saharan Africa 1995-2010*, IMF Working paper, p. 6

[101] Zafar A. (2011), *Mauritius: An Economic Success Story*, World Bank, p. 15

[102] Cnossen S., *Mobilizing VAT revenues in African countries,* CPB Netherlands Bureau for Economic Policy Analysis, February 2015 p. 25

economy), as well as the development package that West African countries receive (EPADP).

The results in all the examined variables (GDP, welfare, exports, production etc.) in the additional simulations are very close to the ones generated without the distinction of the production sectors and without the reallocation of funds (main differences are of one or two decimal points). The main results arising from the simulations are provided in Annex 5.

6.3.Summary of the modelling results

Based on the simulation results, West African countries' GDP will be positively affected by the agreement, albeit to a small extent, from 0.0% to 0.5% by comparison to a baseline without EPA. Welfare is also expected to slightly increase, by 0.1 to 0.7% depending on the country but regardless of the country's status as LDC or not.

Total exports from West Africa with the world are positively affected by the EPA and so are total imports, though to a smaller extent. West African exports are expected to increase on average by 1.5%, and imports to increase by 1.2%. West Africa's exports to the EU will increase by 4.1%. Almost all sectors are expected to benefit from the agreement in terms of exports – with the highest expected increases in the following sectors: cereals (10.2%), other food (9.9%), red meat (8.4%) and wearing apparel (12.8%). Minor decreases in exports (compared to the baseline) are expected in only three sectors: cattle (-1.4%), other crops (-0.6%) and other mineral (-2.2%). The increase in exports relates to agricultural sectors as well as industry and services sectors.

Production is expected to follow the same pattern, with an increase in almost all the main production sectors in each country (i.e. those representing above 5% of total production in the country concerned), with only few exceptions. The main sectors where production would increase are vegetable and fruits, construction, metals, trade, transportation and business services.

Reflecting the fact that most West African countries already enjoy DFQF access in the EU market whereas EU products are currently not subject to any preferential treatment, EU's exports to West Africa are expected to increase by 23.3%. The improved market access would slightly impact other trade partners (mostly Asia and NAFTA) without however radically modifying the distribution of trade among West Africa's trading partners.

The remuneration of production factors is generally positively affected by the EPA, albeit to a small extent. Remuneration of labour is expected to increase in all countries (up to 0.9% in Côte d'Ivoire), while other factors such as capital, land and natural resources would also increase in most countries, with limited exceptions. Tariff reduction is expected to have a small positive impact on the poverty headcount in the two countries observed (Ghana and Nigeria).

As a result of tariff reduction, collected customs duties in 2035 will be lower than in the baseline, on average by 11.7%. It should be noted that this is only the impact of the tariff reductions, without taking account of any fiscal reform that West African countries might undertake, or of the other elements of the EPA (e.g. the EPADP).

7. Overall conclusion

The EPA paves the way for a stable and long-term bilateral trade relationship between West Africa and the EU. It moves away from the uncertainty linked to previous preferential schemes in place (incompatibility with WTO rules of the previous preferences, or risk of losing full market access in case of "graduation" from LDCs to middle income countries). Through its development cooperation pillar, the EPA is also expected to facilitate the region's trade with the world as well as its internal trade and reinforce its competitiveness – thus joining the important trend of economic development observed in the last decade.

A simulation of the impact of tariff reductions set out in the EPA shows positive gains for West Africa. The impact is positive in terms of production and exports. The remuneration of production factors is generally positively affected by the EPA, albeit to a small extent. Those gains for West African countries should be considered as underestimations of the real gains, as the economic modelling only takes into account those aspects of the EPA that are readily quantifiable (tariff reductions) and does not cover other aspects that are more difficult to quantify, but will affect positively West African economies[103]. For example, preferential rules of origin enable West African countries to take better advantage of the EU market access and to enhance cooperation and regional integration among them. Improvements in the quality of infrastructure and reduction of delays in trading through trade facilitation measures can reduce trade costs, increase competitiveness and further encourage exports. By establishing a favourable and predictable regulatory environment and enhancing good governance (reducing corruption and increasing political stability), West African countries can stimulate trade and investment. All the aforementioned elements cannot be easily and accurately assessed and therefore they were not included in the analysis. As a result, gains are underestimated.

The EPA creates several joint institutions in charge of the implementation of the agreement (Joint Council, Joint Committee, Parliamentary Committee and Consultative Committee). It will be the task of all those institutions to ensure that the EPA is properly implemented, as well as to make proposals for the review of priorities set out in the agreement. For that purpose, a constant monitoring of implementation is paramount[104]. In addition, the EPA foresees discussions on a wider negotiation agenda ("rendez-vous clauses") covering for instance services, investment, or sustainable development, which could bring additional positive results for the countries concerned.

[103] See Curran, L., Nilsson, L. and Brew, D. (2008).

[104] See, for instance, the 5-year implementation review of the Cariforum EPA.

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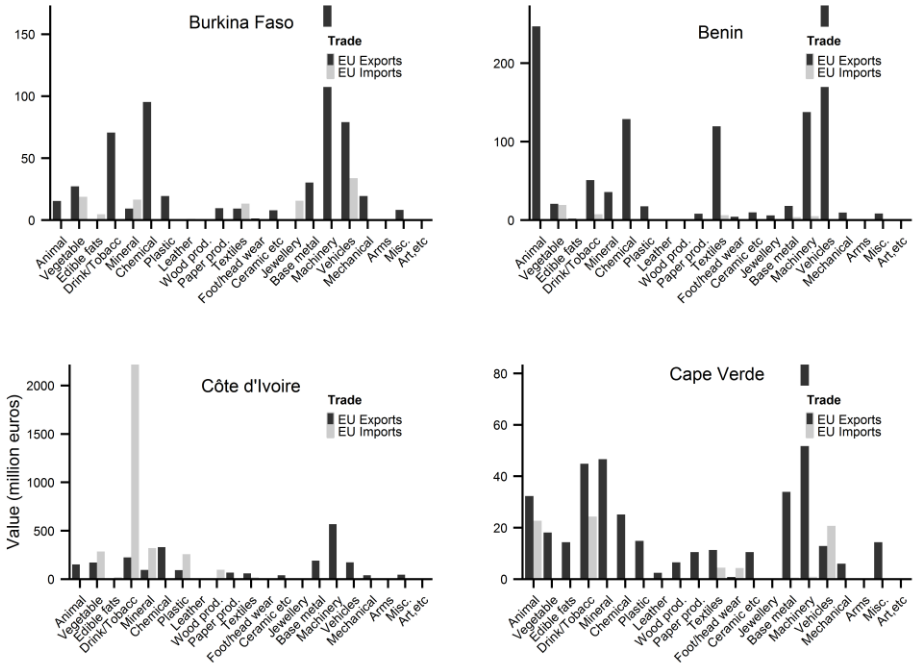
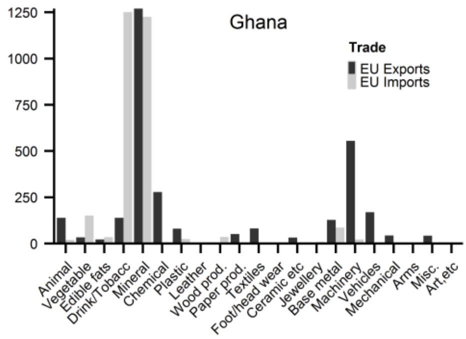
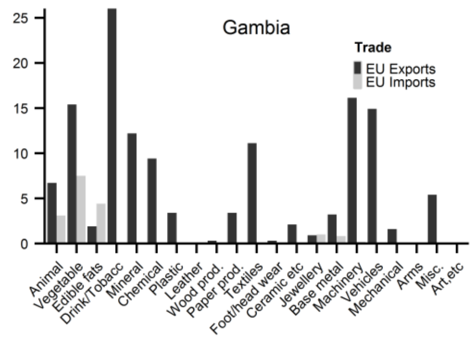
Annex 1: list of acronyms

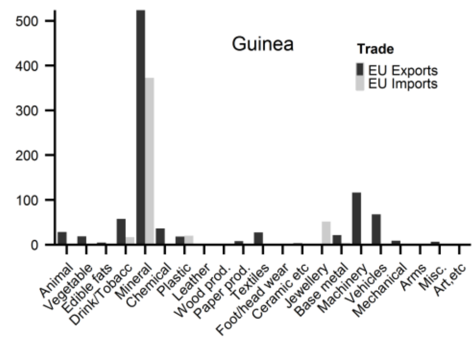
CARICOM	Caribbean Community
CGE	Computable General Equilibrium
CIS	Community of Independent States
DFQF	Duty-Free, Quota-Free
EBA	Everything But Arms
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
EPA	Economic Partnership Agreement
EPAPD (French, PAPED)	EPA Development Programme
FDI	Foreign Direct Investment
GSP	Generalised Scheme of Preferences
GTAP	Global Trade Analysis Project
HS	Harmonised System
IMF	International Monetary Fund
LDC	Least Developed Country
MAR	Market Access Regulation
MENA	Middle East and North Africa
MFN	Most Favoured Nation
NAFTA	North American Free Trade Agreement
OCT	Overseas Countries and Territories
RIP	Regional Indicative programme
SMEs	Small and medium-sized enterprises
WAEMU (French, UEMOA)	West African Economic and Monetary Union (French: Union Economique et Monétaire Ouest-Africaine)
WTO	World Trade Organisation

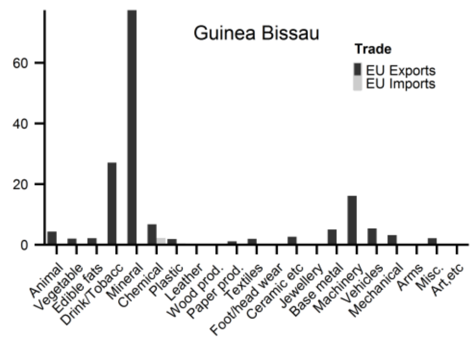
Annex 2: EU-West Africa trade per country and HS section (€ million, 2014)

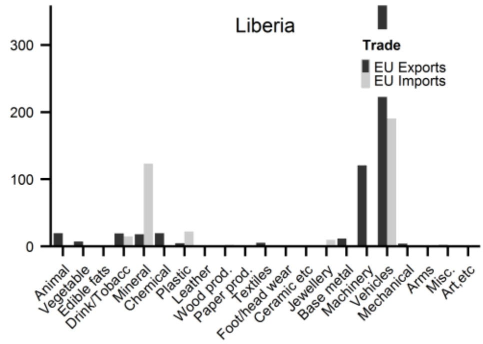


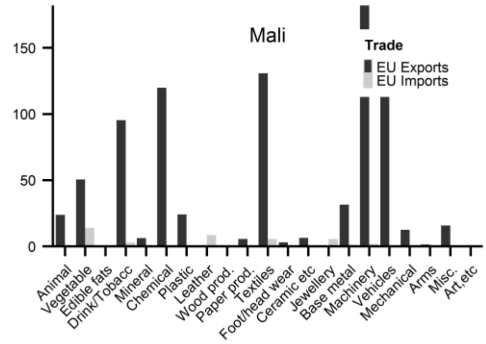

Ghana
Trade
EU Exports
EU Imports
1250
1000
750
500
250
0
Animal
Vegetable
Edible fats
Drink/Tobacc
Mineral
Chemical
Plastic
Leather
Wood prod.
Paper prod.
Textiles
Foot/head wear
Ceramic etc
Jewellery
Base metal
Machinery
Vehicles
Mechanical
Arms
Misc.
Art,etc

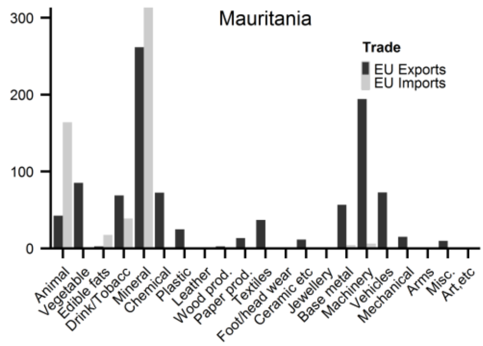

Gambia
Trade
EU Exports
EU Imports
25
20
15
10
5
0
Animal
Vegetable
Edible fats
Drink/Tobacc
Mineral
Chemical
Plastic
Leather
Wood prod.
Paper prod.
Textiles
Foot/head wear
Ceramic etc
Jewellery
Base metal
Machinery
Vehicles
Mechanical
Arms
Misc.
Art,etc

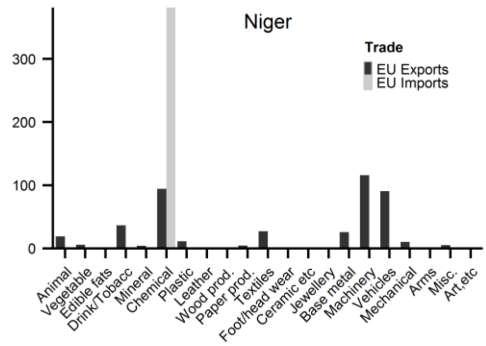

Guinea
Trade
EU Exports
EU Imports
500
400
300
200
100
0
Animal
Vegetable
Edible fats
Drink/Tobacc
Mineral
Chemical
Plastic
Leather
Wood prod.
Paper prod.
Textiles
Foot/head wear
Ceramic etc
Jewellery
Base metal
Machinery
Vehicles
Mechanical
Arms
Misc.
Art,etc

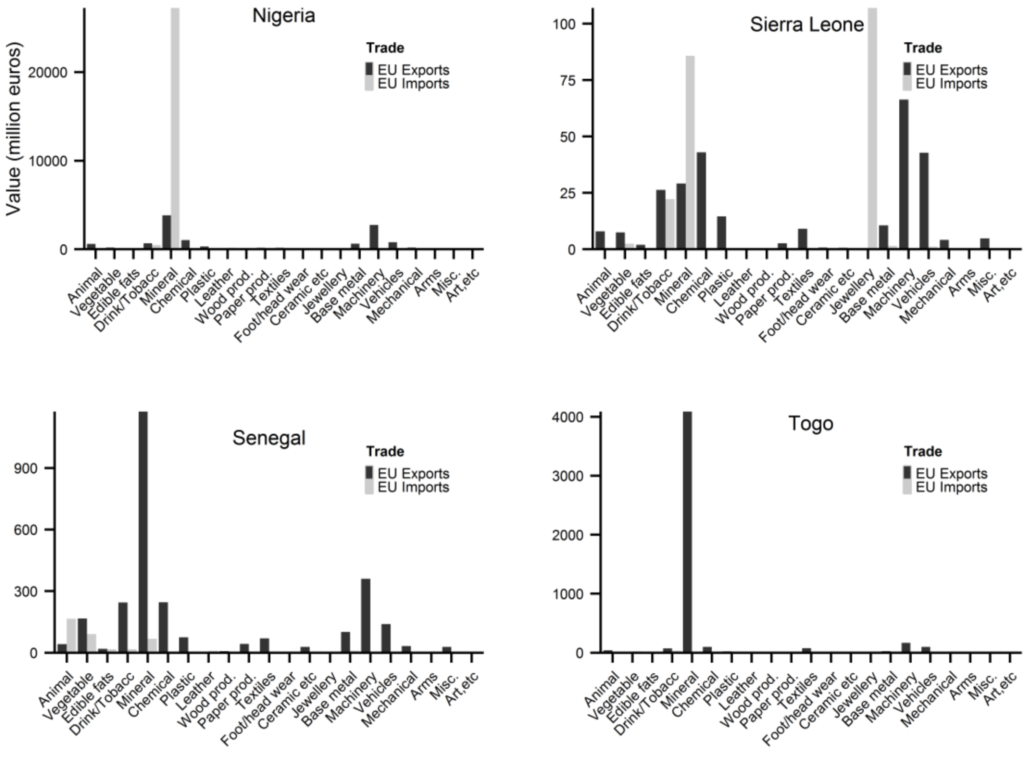

Guinea Bissau
Trade
EU Exports
EU Imports
60
40
20
0
Animal
Vegetable
Edible fats
Drink/Tobacc
Mineral
Chemical
Plastic
Leather
Wood prod.
Paper prod.
Textiles
Foot/head wear
Ceramic etc
Jewellery
Base metal
Machinery
Vehicles
Mechanical
Arms
Misc.
Art,etc


Liberia
Trade
EU Exports
EU Imports
300
200
100
0
Animal
Vegetable
Edible fats
Drink/Tobacc
Mineral
Chemical
Plastic
Leather
Wood prod.
Paper prod.
Textiles
Foot/head wear
Ceramic etc
Jewellery
Base metal
Machinery
Vehicles
Mechanical
Arms
Misc.
Art,etc


Mali
Trade
EU Exports
EU Imports
150
100
50
0
Animal
Vegetable
Edible fats
Drink/Tobacc
Mineral
Chemical
Plastic
Leather
Wood prod.
Paper prod.
Textiles
Foot/head wear
Ceramic etc
Jewellery
Base metal
Machinery
Vehicles
Mechanical
Arms
Misc.
Art,etc


Mauritania
Trade
EU Exports
EU Imports
300
200
100
0
Animal
Vegetable
Edible fats
Drink/Tobacc
Mineral
Chemical
Plastic
Leather
Wood prod.
Paper prod.
Textiles
Foot/head wear
Ceramic etc
Jewellery
Base metal
Machinery
Vehicles
Mechanical
Arms
Misc.
Art,etc


Niger
Trade
EU Exports
EU Imports
300
200
100
0
Animal
Vegetable
Edible fats
Drink/Tobacc
Mineral
Chemical
Plastic
Leather
Wood prod.
Paper prod.
Textiles
Foot/head wear
Ceramic etc
Jewellery
Base metal
Machinery
Vehicles
Mechanical
Arms
Misc.
Art,etc



Source: Eurostat – Comext (downloaded in March 2015)

Annex 3: Sectoral aggregation

Table 21: From GTAP sectors to model (Miragrodep) aggregation

GTAP sectors	MIRAGRODEP aggregation
Beverages and tobacco products	Beverage and Tobacco
Communication	Business Services
Financial services nec	
Insurance	
Business services nec	
Transport equipment nec	Capital Goods
Machinery and equipment nec	
Cattle.sheep.goats.horses	Cattle
Raw milk	
Wheat	Cereals
Cereal grains nec	
Chemical.rubber.plastic prods	Chemicals
Construction	Construction
Dairy products	Dairy products
Electronic equipment	Electronics
Fishing	Fisheries
Coal	Fossil Fuel
Oil	
Gas	
Petroleum. coal products	
Leather products	Leather Product
Ferrous metals	Metals
Metals nec	
Metal products	
Motor vehicles and parts	Motor Vehicles
Oil seeds	Oilseeds
Animal products nec	Other Animal
Wool. silk-worm cocoons	

GTAP sectors	MIRAGRODEP aggregation
Crops nec	Other Crops
Food products nec	Other Food
Manufactures nec	Other Industries
Mineral products nec	Other Mineral
Forestry	Other Natural Resources
Minerals nec	
Recreation and other services	Other services
Dwellings	
Paper products. publishing	Paper Products
Plant-based fibers	Plant Fibers
PubAdmin/Defence/Health/Educat	Public Services
Meat: cattle.sheep.goats.horse	Red Meat
Paddy rice	Rice
Processed rice	
Sugar cane. sugar beet	Sugar
Sugar	
Textiles	Textile
Trade	Trade
Transport nec	Transportation
Sea transport	
Air transport	
Electricity	Utilities
Gas manufacture. distribution	
Water	
Vegetable oils and fats	Vegetable Oil
Vegetables. fruit. nuts	Vegetables and Fruits
Wearing apparel	Wearing Apparel
Meat products nec	White Meat
Wood products	Wood Products

Source: CGE simulations carried out for DG Trade

Table 22: From 37 MIRAGRODEP sectors to 3 mega-sectors

Source: CGE simulations carried out for DG Trade

Agro-food	Industry / Raw materials / Energy	Services
Rice	Other Natural Resources	Utilities
Cereals	Fossil Fuel	Construction
Vegetables and Fruits	Textile	Trade
Oilseeds	Wearing Apparel	Transportation
Sugar	Leather Product	Business Services
Plant Fibers	Wood Products	Other services
Other Crops	Paper Products	Public Services
Cattle	Chemicals	
Other Animal	Other Mineral	
Fisheries	Metals	
Red Meat	Motor Vehicles	
White Meat	Capital Goods	
Vegetable Oil	Electronics	
Dairy products	Other Industries	
Other Food		
Beverage and Tobacco		

Annex 4: Additional tables on the CGE simulations

Table 23: Impact of the EPA on West Africa's total exports by sector, 2035

Sector (West Africa as a total)	EPA impact (vs baseline), in%	Share of total trade	Sector (West Africa as a total)	EPA impact (vs baseline), in%	Share of total trade
Beverage and Tobacco	0.8	0.2%	Other Mineral	-2.2	0.7%
Business Services	1.0	1.4%	Other Natural Resources	0.3	4.9%
Capital Goods	3.3	2.4%	Other services	0.6	0.6%
Cattle	-1.4	0.0%	Paper Products	0.1	0.1%
Cereals	10.2	0.0%	Plant Fibers	0.1	1.2%
Chemicals	3.0	3.3%	Public Services	1.2	1.4%
Construction	1.7	0.2%	Red Meat	8.4	0.0%
Dairy products	0.4	0.1%	Rice	7.0	0.0%
Electronics	3.3	0.5%	Sugar	0.5	0.0%
Fisheries	0.7	0.1%	Textile	2.6	0.2%
Fossil Fuel	1.1	62.8%	Trade	1.0	0.2%
Leather Product	2.4	0.4%	Transportation	3.3	1.6%
Metals	3.4	7.8%	Utilities	3.2	0.4%
Motor Vehicles	1.5	0.1%	Vegetable Oil	1.0	0.4%
Oilseeds	0.7	0.2%	Vegetables and Fruits	2.8	2.0%
Other Animal	1.2	0.0%	Wearing Apparel	12.8	0.1%
Other Crops	-0.6	3.3%	White Meat	1.9	0.1%
Other Food	9.9	2.6%	Wood Products	0.9	0.5%
Other Industries	2.2	0.2%			

Source: CGE simulations carried out for DG Trade, own calculations

Table 24: EU West Africa bilateral trade by main West African sectors, 2035 (EPA vs. baseline, %)

	Cereals	Construction	Chemicals	Fossil Fuel	Other Mineral	Metals	Other Crops	Other Food	Other Natural Resources	Other services	Plant Fibers	Business Services	Public Services	Trade	Transporta tion	Vegetables and Fruits
EU exporting to West Africa																
Importer																
BJ	12.3	-1.7	18.0	22.0	47.1	88.3	56.3	4.6	18.5	-1.1	22.9	-2.6	-7.2	-2.2	-8.4	62.9
BF	10.3	-0.2	8.9	88.7	75.7	78.8	23.3	7.6	14.1	-0.6	-0.8	-1.0	-2.6	-0.8	-1.4	5.8
CI	6.9	2.0	23.1	62.9	57.5	91.3	58.0	21.5	22.4	0.5	32.7	0.9	-2.4	0.6	0.2	6.9
GH	13.0	0.0	27.2	48.2	49.2	86.9	71.4	12.4	11.4	-0.8	-0.1	-1.0	-3.5	-1.1	-2.6	17.3
NG	12.5	0.8	23.8	114.8	43.9	74.9	122.1	6.0	13.6	-1.8	23.6	-1.7	-3.4	-2.2	-2.2	36.0
SN	8.5	-1.9	18.9	21.4	47.7	61.1	23.8	12.4	10.5	-1.6	25.3	-1.9	-10.2	-1.6	-3.1	0.3
TG	13.9	-1.6	18.9	13.6	52.2	77.4	67.5	6.4	11.4	-1.7	-1.5	-1.6	-10.1	-1.4	-6.0	9.8
RE	11.5	-0.3	15.7	98.9	31.0	96.6	54.6	9.7	8.9	-0.1	26.8	-0.5	-4.1	0.0	-1.1	6.4
West Africa exporting to EU																
Exporter																
BJ	0.9	2.2	3.7	7.0	11.3	3.6	2.0	1.2	0.3	0.6	0.6	3.6	3.6	3.0	13.5	0.4
BF	1.3	1.8	4.2	1.8	2.7	2.8	2.5	1.0	0.4	1.0	0.9	1.5	1.7	1.2	2.7	0.3
CI	98.3	0.9	0.8	2.1	9.4	1.1	-0.8	38.8	0.0	0.3	-1.1	-0.7	0.9	-0.1	0.7	33.3
GH	100.8	1.0	4.5	8.2	5.9	12.9	0.5	43.6	0.4	1.0	0.6	1.1	1.0	1.3	2.6	26.1
NG	5.3	1.1	18.9	1.3	24.0	7.7	5.4	27.8	0.6	2.1	2.2	2.2	2.1	2.1	2.7	4.7
SN	3.7	3.0	5.6	20.3	4.2	5.4	4.0	2.2	0.7	1.8	2.1	2.7	3.9	2.4	5.2	0.8
TG	1.6	2.2	3.8	7.1	5.9	5.0	0.9	1.3	0.8	2.0	0.8	2.1	2.5	2.4	9.4	0.2
RE	1.0	1.9	3.1	1.0	8.7	2.9	2.5	13.9	0.4	0.4	0.7	0.9	1.2	0.7	1.8	0.5

Source: CGE simulations carried out for DG Trade. Note: BJ = Benin, BF = Burkina Faso, CI = Côte d'Ivoire, GH = Ghana, NG = Nigeria, SN = Senegal, TG = Togo, RE = Rest of ECOWAS.

Annex 5: Short overview of alternative scenarios

This annex provides a short overview of alternative scenarios that were simulated, considering the impact of the existence of a dual-dual economy in West Africa, and the development programme (EPAPD) that West Africa countries will receive:

- Dual-dual economy: This option makes a distinction between workers attached to the rural versus the urban sector and the informal versus the formal one. In developing countries, a double dichotomy exists in terms of localisation of activities (rural vs. urban areas) and in terms of the technology used and the form of organisation that exercises these activities (traditional technologies and family farms or enterprises vs. modern technologies and complex forms of organization). This yields a classification of four broad categories of sectors, which needs to be made so as to account for differences in the production and consumption decisions of each category and the contingent labour migration among them: (a) Rural-informal sectors: subsistence (small-scale) agriculture applying traditional labour-intensive technologies (mainly domestic food crops), (b) Rural-formal sectors: commercial, large-scale agriculture using more capital-intensive technology (e.g. export crops), (c) Urban-informal sectors, (d) Urban-formal sectors.

  The limitation of this technique lies in the fact that each sector can be considered to fall under only one category. Therefore, in case a sector in a country is 75% formal-urban, 15% formal-rural, 6% informal-rural and 4% informal-urban, then according to the model specifications the sector will be considered formal-urban.

  The mobility between these sectors is taken into account, as it induces productivity and wages differentials and thus affects the impact of trade policies[105].

- EPADP: This analysis considers that part of the EPADP would be directed to aid for trade, infrastructure and upgrade of production capacities in the region, thus affecting West African farmers and firms' productivity and competitiveness. In these simulations it is assumed that West Africa will continue to receive funds after 2019 (€1.3 billion per year). Given the difficulty to forecast the actual priorities under the EPADP for the next twenty years, this option

[105] This modelling is inspired from Stifel and Thorbecke (2003), designed in a way that matched West Africa’s sector decomposition. See also Bouët, A., Dienesch, E. and Fall C. S. (2013).

presented a risk of overestimating or underestimating the EPADP's impact on the basis of pure methodological choices. It was therefore considered more prudent to take account of tariff reductions only, leading however to an underestimation of EPA gains.

The three additional simulations that were performed are:

- Impact of the EPA taking into account the existence of dual-dual economy (DD scenario)
- Impact of the EPA taking into account the redirection of some funds in the development package (DP scenario)
- Impact of the EPA taking into account both the existence of dual-dual economy and the redirection of some funds in the development package (DD_DP scenario).

The impact of the EPA under the central scenario (the one described in Section 6 of this study) is also included so as to facilitate comparison among the results of alternative scenarios (called CS). All the results refer to the impact of the EPA in 2035, compared to the situation where the EPA is not in place. An example of interpretation is given below each table, so as to avoid misunderstandings.

Table 25: Macroeconomic effects of the EU-West Africa EPA, 2035 (%)

	GDP (real)				Welfare			
	CS	DD	DP	DD_DP	CS	DD	DP	DD_DP
Benin	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2
Burkina Faso	0.5	0.5	0.5	0.4	0.6	0.6	0.5	0.5
Côte d'Ivoire	0.5	0.4	0.5	0.4	0.7	0.7	0.7	0.7
Ghana	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.4
Nigeria	0.1	0.0	0.1	0.0	0.1	0.1	0.1	0.1
Senegal	0.4	0.4	0.4	0.4	0.6	0.6	0.6	0.6
Togo	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5
Rest of ECOWAS	0.1	0.1	0.1	0.1	0.5	0.4	0.4	0.4
Rest of Africa	0.0	0.0	0.0	0.0	0.0	0	0	0.0
European Union	0.0	0.0	0.0	0.0	0.0	0	0	0.0

Source: CGE simulations carried out for DG Trade

Example: In 2035, Senegal's GDP will increase by 0.4% and its welfare by 0.6% as a result of the EPA, in all three scenarios.

Table 26: Impact of EPA on EU-West Africa bilateral trade, 2035 (%)

	Bilateral exports to EU				Bilateral imports from EU			
	CS	DD	DP	DD_DP	CS	DD	DP	DD_DP
Benin	4.2	4.2	4.3	4.3	19.9	19.9	19.9	19.9
Burkina Faso	2.1	2.1	2.1	2.1	29.5	29.3	29.4	29.2
Côte d'Ivoire	10.7	10.8	10.8	10.9	18.3	18.2	18.3	18.2
Ghana	7.3	7.4	7.3	7.4	29.5	29.4	29.5	29.4
Nigeria	2.5	2.5	2.5	2.5	21.2	21.6	21.1	21.4
Senegal	3.5	3.5	3.5	3.5	18.9	18.9	18.9	18.9
Togo	1.8	1.9	1.8	1.9	22.2	22.1	22.2	22.1
Rest of ECOWAS	2.6	2.6	2.6	2.6	33.4	33.3	33.4	33.3
Rest of Africa	0.2	0.2	0.2	0.2	-0.2	-0.2	-0.2	-0.2

Source: CGE simulations carried out for DG Trade

Example: In 2035, Ghana's bilateral exports to the EU will increase by 7.3% due to the EPA (in the DP scenario), and its imports from the EU by 29.5%.

Table 27: Impact of the EPA on total trade, 2035 (EPA vs. baseline, %)

	Total exports				Total imports			
	CS	DD	DP	DD_DP	CS	DD	DP	DD_DP
Benin	2.7	2.6	2.8	2.8	0.8	0.8	0.9	0.9
Burkina Faso	2.5	2.4	2.5	2.4	3.4	3.4	3.4	3.3
Côte d'Ivoire	2.5	2.6	2.6	2.6	3.3	3.3	3.3	3.3
Ghana	2.8	2.8	2.8	2.8	1.8	1.8	1.8	1.8
Nigeria	1.3	1.3	1.2	1.2	1.2	1.3	1.1	1.1
Senegal	3.0	3.0	3.1	3.1	1.6	1.6	1.6	1.6
Togo	1.4	1.5	1.5	1.5	0.7	0.7	0.7	0.7
Rest of ECOWAS	1.3	1.3	1.3	1.3	0.6	0.5	0.6	0.5
Rest of Africa	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
European Union	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Source: CGE simulations carried out for DG Trade, own calculations

Example: In 2035, Senegal's total exports to the world will increase by 4.1% (in all three scenarios) compared to the situation where the EPA is not in place, while its imports from the world will increase by 1.6%.