



REPUBLIC OF GHANA

MINISTRY OF FOREIGN AFFAIRS AND
REGIONAL INTEGRATION
OFFICE OF 'VHF. HONOURABLE MINISTER

SCR.EC/EU-ACP/EPA yd November, 2016

Dear Chairman Bernd Lange and Members of the INTA,

I would like to express my appreciation, on behalf of the Government of Ghana, for your kind invitation to address the INTA Committee, which is deliberating on Ghana's Interim Economic Partnership Agreement (IEPA), prior to the upcoming vote to be taken by the European Parliament in respect of the ratification of the agreement.

2. It was really an honour and a privilege for me to address the Committee on this matter which is of great significance to the development of my country. Ghana's IEPA was unanimously approved by both sides of the house in our Parliament, and no dissenting votes were cast. That gives a clear indication that as a Parliament and being fully aware of the opportunities and the challenges of implementing this agreement, we were collectively of the view that it was in our best interest to ratify the IEPA and continue to ensure our duty free, quota free access to the EU market, while we still make the effort to have our Economic Community of West African States (ECOWAS) and ELI EPA signed and ratified by the required number of states so that the substantive regional EPA can come into force.

3. We believe that when it comes to determining the matter of what is in our best national interest, as the elected representatives of the people of Ghana, the Parliament of the Republic of Ghana has both the legitimacy and the mandate to make that determination, and not any other third party, irrespective of however well-intentioned such a third party may be. I would invite you to go through the profiles of the members of our parliament, which are available online. You would see that We have a very diverse group of representatives of various professional backgrounds many of whom have previously held responsible positions in the Ghanaian public service and some of whom have had the opportunity of study and work outside our country. I think it would be inappropriate for anyone to suggest that we do not have the capacity to assess what is in the best interests of our country. While this issue was not raised during my attendance at the committee meeting, we are aware of some

publications that came out both before and after our parliament took that decision, and having had the opportunity of reading some of them myself, can only say that perhaps the limited knowledge of the operations of the private sector in Ghana: and the impact on our economy did not allow the authors to take into consideration other factors that impacted the decision of both our Executive and our Parliament in respect of this matter.

4. Having had the opportunity of addressing the Committee and hearing comments and questions which some Members raised during the Session and afterwards I would want to reinforce and expatiate on some points I made during the Session, to enable the members of the committee better understand Our position.

5. First of all, I wish to emphasize, that for us in Ghana, the IEPA remains a temporary measure, while we continue to vigorously pursue the conclusion of the regional EPA. We wish to be part of a more integrated West African sub-region, and it is within that context that we have been active members of the Economic Community of West African States (ECOWAS). We believe that while it would be in our collective interests within our region, integration between all the member states of our ECOWAS region is far from complete. We have different legal, regulatory and administrative regimes in operation within the Union Economique et Monetaire Ouest Africaine (UEMOA) made up of 8 of our ECOWAS member states, as well as the other countries in our region. We are working to review these various regimes to promote our agenda for integration, but this takes time, and over the forty one years of ECOWAS existence we have made slow progress. We are also very much aware of the political, economic and legal challenges that we must address to have a more effective level of economic and political integration in our region and we see it as a work in progress. We do not believe that those outside our region can have a better understanding or be more committed to the process of our regional integration than we ourselves. We have deployed a lot of effort in engaging our counterparts in the other ECOWAS member states that have not yet signed the regional EPA and will continue to do so, notwithstanding the fact Of our ratification of our IEPA.

MISCONCEPTIONS: EFFECTS ON REGIONAL TRADE; OTHER OPTIONS

6. On the issues raised about the negative effects of the 'EPA on regional trade (i.e. the danger of imports from the EU under the ICPA crossing from Ghana to other ECOWAS countries duty free), the option to go for GSP, GSP+, return to the 2008 Market Access Regulation (MAR), the milk powder / infant industry question, the lack of explicit sustainable development dimensions in the EPAs etc, I wish to make the following points:

7. We earlier received correspondence from the EU Commissioner responsible for Trade - Ms. Cecilia Malmstrom to the effect that if we did not take the necessary steps to ensure that We were operating within a legal regime that allowed for duty free, quota free market access by October this year, our exports would no longer be able to access the EU market duty free and quota free. We were encouraged by the Commissioner to do what was necessary to maintain Our market access. We have at no time been informed or have reason to believe that we could have duty free, quota free access to the EU market without the ratification of our EPA. We found it interesting that in the course of the meeting some MEP's

made some assertions to the contrary.

8. Regarding the suggestion that Ghana be kept under the Market Access Regulation (MAR), which is not WTO compliant, to the best of our understanding this was a temporary arrangement with no stability or certainty for investors and producers in Ghana. It is also a unilateral framework under which market access to the EU is available. On the other hand, the EPA / IEPA is a bilateral agreement between Ghana and the EU on the same footing as partners with definite commitments. Under the EPA/IEPA, the market access granted to Ghana is made contractual through a bilateral agreement that is WTO compliant.

9. Without a legal opinion on this from the Commission that provides other legal options for our exports to enter the EU market duty and quota free and having regard to the damage to our economy as well as the loss of jobs that would be created by the non-ratification of the IEPA by the European Parliament we cannot afford to take that risk. In the circumstances we do not believe the access under MAR is a viable option for Ghana. Additionally, the attendant investor uncertainty would also harm our economy. We are aware that after Brexit there will be a change in the terms of trade with the United Kingdom (UK), however, for the next two years our access to the UK market under the duty free and quota free arrangement will require market access through our IEPA.

10. From the perspective of the Government of Ghana, the need for our country to continue to enjoy duty-free-quota-free access to the EU market cannot be over-emphasized, because Ghana's non-traditional export sector, (which we have invested, developed and built up over the last 30 years to expand our economy) relies heavily on exports to the EU market and has continued to expand in response to that opportunity. Furthermore, these exports have contributed to building local value chains for these products providing stable formal employment with social security/ pensions benefits to thousands of employees, many of whom work in small and medium enterprises that don't actually export anything directly themselves to the EU, but who are part of the supply chains of larger businesses that export directly to the EU. The market access we currently enjoy provides about fifteen thousand (15000) direct jobs and thousands more indirect jobs, in a country where the number of people who are registered with the national pension fund (which is an indicator of those in formal employment) is approximately 1.3 million people. The Tuna Industry and by that I mean those involved in the processing and canning of our Tuna products together with those involved in Tuna fishing industry accounts for approximately seven thousand (7000) direct and indirect jobs.

ECOWAS TRADE REGIME AND SAFEGUARDS

11. The argument that EU products will enter duty-free into other ECOWAS countries through Ghana upon ratification of our IEPA is a non-starter as this is not factually possible.

While we have completed negotiations on the Common External Tariff, and in some countries including Ghana it is already being applied, the implementation of the CET has already had a number of challenges not related to the IEPA and as to how its implementation will progress in future is yet to be seen.

Currently under the ECOWAS Trade Liberalisation Scheme (ETLS), only the following three (3) categories of goods are allowed duty-free export among ECOWAS countries:

- a) Agricultural and livestock products, fishery products
- b) Artisanal handicraft
- c) Industrial goods, which should have 30 percent value added of the factory price of the finished goods from the exporting Country (in this case, Ghana) before they can qualify for duty free export to other ECOWAS countries.

With regard to industrial goods each company must apply for exemptions under the ETLS and without prior approval and obtaining a certificate of origin for each specific product the exemptions will not apply.

12. Obviously, no known EU products qualify under the above three (3) categories, rendering that argument flawed. Even under the Common External Tariff (CET) currently in operation under ECOWAS, the ETLS criteria prevails.

DIFFERENT TRADE REGIMES OPERATING IN NEIGHBOURING COUNTRIES AND DAMAGE TO GHANA'S ECONOMY

1 3. Concerning proposals for Ghana to be placed under the GSP, GSP+, the MAR, etc, it is difficult to understand the motives behind these proposals, and I can only reiterate, that even though both the Executive and the Parliament of Ghana were aware that these options existed, we were still of the view that the best means of protecting the competitiveness of our exports to the EU market were through the signature and ratification of an IEPA. We have not made any effort to apply for market access under GSP* because we were led to understand and believe that once we had signed and ratified our IEPA that would not be necessary.

- Please note that debate on the EPA's has been going on nationally since 2002 when the negotiations started, over the period there have been several engagements between the Government represented by the Ministry of Trade and Industry and the stakeholders in the private sector and civil societies with a view to taking a position that would be in our country's best interests. Within the West African region the different member states are at varying stages of development. Ghana, Nigeria, Cote D'Ivoire and Cabo Verde do not fall within the category of Least Developed Countries and as such do not qualify to continue to export to the EU under the "Everything but Arms" regime. Nigeria which is the largest country in terms of population and the largest economy in our region from the data available has crude oil and petroleum products accounting for slightly over 90% of its exports. Though the country has a significant presence of local manufacturing, given the size of their internal market of slightly more than 180 million people, they have much less of a focus on exports of products other than crude oil and petroleum products than is the case with Ghana.

- Ghana's neighbour Cote d'Ivoire and a little further away, Cameroon, produce similar agricultural 'agro-processed products as Ghana, and both of them already have IEPA agreements with the EU. Were Ghana to be placed under a different trade regime, where our products will attract tariffs under the GSP or GSP+ while Cote D'Ivoire and Cameroon will be able to continue to export duty free and quota free under their respective IEPA's, effectively the EU Parliament would have acted to make our exports of processed cocoa, bananas, pineapples and other products much less competitive and effectively reduce our market share. The tariffs to be imposed on our canned tuna exports will effectively encourage our producers to relocate their operations to any neighbouring country where they would be more competitive. In other words the imposition of tariffs under the GSP would not only make our exports uncompetitive but they would also wipe out our market share in these products. Were that to happen the time, effort, incentives and investments that we have made as a country in the development of these products would effectively have been wiped out as well. Indeed, some multinationals have already openly declared their intention to immediately relocate to Cote d'Ivoire, should Ghana not succeed in concluding an IEPA and in the absence of an ECOWAS EPA.

14. Ghana should not be penalised for having taken advantage of the market access that was available to us as an ACP member state to build up our export base, and benefits from trade because some have ideological objections to the Interim Economic Partnership Agreement. We acknowledge that it is not a perfect agreement but we consider it to be a better option than the other alternatives. Our progress as a nation should not be discouraged.

SELECTION OF SENSITIVE PRODUCTS BY THE NEGOTIATORS OF THE IEPA

15. The products which have been liberalized under the EPA were carefully selected in the negotiations for the IEPA with inputs from the Association of Ghana Industries (AGI) an organization that represents most Ghanaian Industrial business. This was done in order to ensure that the damage done to our existing manufacturing enterprises was minimised as much as practically possible. I have been made aware that some issues have arisen regarding the production of dairy products. I think it is important to note that Ghana has very little, in fact one could safely say a tiny amount of domestic fresh dairy production. Milk/Dairy products consumed on our local market are processed milk products which are largely imported. The largest producer of processed milk products in Ghana is Nestle Ghana Ltd.) Processed milk products (including those produced by Nestle Ghana Ltd. are made from imported milk solids, emulsifiers, soya lecithin and other ingredients. Basically about of the dairy products consumed in Ghana are processed reconstituted milk products that have their ingredients imported into the country. When placing milk within the category of sensitive products in which tariffs would not be liberalised a conscious choice was made to exempt milk powder because we were of the view that it would not harm domestic

production. Safeguard measures to protect local industry have been provided in the IEPA, though we acknowledge that in the ECOWAS EPA these provisions are more elaborate.

SUSTAINABLE DEVELOPMENT

16. On issues on the sustainable development, I wish to reiterate the point that Ghana is a vibrant constitutional democracy, committed to sustainable development for the good of its citizens. As you may be aware, our commitment to sustainable development has earned our President H.E John Dramani Mahama, his appointment as one of the UN Secretary General's advocates on the SDGs. Ghana has signed on to the SDGs, the Paris Agreement on Climate Change and other international instruments which have sustainable development implications; not least of all, the Constitutive act of the ECOWAS, (which is binding on Ghana and contains specific provisions dealing with environmental issues and sustainable development). Our own Ghana Shared Growth and Development Agenda, which is our medium term national development plan, has also factored the issue of sustainable development into its provisions. We would like to assure you that we will continue to focus on issues of sustainability not because it may be a prescription made by third parties for whatever reason they may wish to do so, but because it is in our best interests as a country to do so. We are aware of the huge challenge posed by climate change, and are very conscious of the need to work quickly to minimize the damage being caused to our natural environment.

17. We would like you to understand, that notwithstanding the challenges associated with the EPA, it is our considered opinion that it is the best option available at the present time to protect our exports to the EU and consequently the companies in Ghana, both large, medium and small who benefit from the opportunities provided by this market access. It has allowed for the continued growth and expansion of our non-traditional export sector, and it will protect jobs. Were our citizens who are currently employed by the businesses that take advantage of this market access, or in small and medium enterprises that constitute part of these larger businesses supply chains to find themselves out of work, they would have to look elsewhere for similar employment, and it is quite likely that some of them would find their way to the EU as economic migrants.

18. We hope that the European Parliament will respect the choices that the Government and Parliament of Ghana have made, and we also hope that the European Parliament will ratify the Interim Economic Partnership Agreement between the Government of Ghana and the European Union.

19, Please accept, Hon. Chairman and Members of the INTA Committee, the assurances of my highest consideration.



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HON. BERND LANGE
CHAIRMAN OF THE INTA CONWITTEE
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