



## **Comments after the INTA Committee's debate on Ghana's interim EPA**

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On October 13, 2016 the INTA Committee of the European Parliament debated Ghana's interim EPA (iEPA), with the participation of Ms Hannah Tetteh, Ghana's Minister of foreign affairs. The following comments will focus mainly on her intervention, including the responses given to the intervening Members of the European Parliament (MEPs).

The main unresolved issue is that, while the Minister and Ms Sandra Gallina of DG Trade acknowledged that the iEPA is outdated and far from being totally satisfactory, including because some of its provisions are contradictory with those of the regional EPA, of which in the tariff liberalization schedules, nevertheless both of them insisted that these contradictory provisions will not have the time to materialize because they are convinced that the regional EPA would soon be signed by Nigeria and the Gambia (forgetting to speak of Mauritania, as if the regional EPA was concerning only ECOWAS) and implemented, superseding the iEPA.

Jude Kirton-Darling, Marie Arena and Helmut Scholz suggested that, given the contradictions between the iEPA and the regional EPA, the European Commission should show the same flexibility that it did for Kenya in withdrawing the Delegated Acts proposed by the Commission on 13 July 2016 to remove trade preference from 6 non LDCs ACP countries, of which Ghana, which did not ratify in time the regional EPA, so that Ghana could continue to enjoy full market access to the EU on the basis of Market Access Regulation (MAR) 1528/2007. This would give time to improve the regional EPA so that Nigeria could agree to sign it.

The Minister underscored clearly that there is no question to renegotiate the regional EPA which was concluded and initialled by all Members on 10 July 2014, the only thing preventing its implementation being the delay required by Nigeria to ponder on its provisions before signing. It is not sure that such a stance, which is close to an ultimatum, is the best way to lead Nigeria to sign if its reluctance is based on its view that some provisions have first to be changed before it can sign. After all the Nigerian presidency has changed in May 2015 and it should not be strange that this leading West Africa's (WA) country – accounting for 77.8% of WA GNI (gross national income) in 2014 and 51.6% of WA population in 2015 – could reconsider the initialling made by the former government given that the economic context has changed radically, with the free fall of oil prices, the bulk of its foreign exchange earnings, requiring to diversify much more the economy, particularly the industrial sector that Nigeria considers to be threatened by the WA EPA. Not to speak of the absolute necessity to relaunch the economy and employment to fight the root cause of Boko Haram. And the Vice-President Yemi Osinbajo has just announced on 12 October 2016, during the 22<sup>nd</sup> Nigeria Economic Summit focusing on "Made in Nigeria", that Nigeria will guarantee minimum prices for agricultural products through public procurement at remunerative prices at harvest time. This would clearly be impossible if the regional EPA would be implemented, particularly for cereals and milk, as the WA tariff offer to the EU – which is the same in the Ghana iEPA –, is based on the full liberalization of milk powder and cereals other than rice, from 5% to zero already in T5, the first year of liberalization. Despite that Ghana has a food trade surplus it is also facing a growing deficit in cereals (with or without rice) and in dairy in milk equivalent.

Sandra Gallina concurred with the Minister that the European Commission is not prepared either to renegotiate the regional EPA. She also stressed that Kenya and Ghana are not in the same positions as Kenya has no interim EPA so that Ghana has to remain in the MAR and there is practically an end date to MAR, the only WTO compatible solution being to implement the iEPA, already ratified by Ghana on 2 August 2016 but that the European Parliament has now to ratify. She also stressed that the revenue fall coming from market opening should not be considered as a net detriment to Ghana as its producers will benefit from cheaper inputs and equipments and its consumers will benefit from lower prices.

Jude Kirton-Darling, Marie Arena and Helmut Scholz asked also the Minister if it would not be more preferable to Ghana, given the contradictions between the iEPA and the WA EPA and the risks for regional integration, to avail of the GSP+ regime while awaiting the implementation of the WA EPA.

The Minister replied that the GSP, and even the GSP+, do not ensure sufficient guarantees of durability to investors, either foreigners or nationals, as they are subject to frequent reviews by the EU Commission and furthermore the GSP+ itself would penalize exports of bananas to the EU, which would be submitted to MFN duties. And the Minister insisted that, as the European Parliament had already ratified the Ivory Coast iEPA in March 2009, that Ivory Coast has ratified on 12 August 2016, Ghana would be at a disadvantage with Ivory Coast and Cameroon if it is alone to pay duties on its exported bananas to the EU so that the plantations and the corresponding jobs would be transferred to these countries or to Latin American countries. And it will also be at a disadvantage for exports of processed tuna and processed cocoa.

To the Minister's objections to GSP+ one can make several replies:

- First, that "*the current GSP established by Regulation (EU) No 978/2012, preferences under which started to apply on 1 January 2014, will be effective for 10 years*"<sup>1</sup>, so that "*The EU has ensured that the revised scheme is sufficiently stable and predictable for economic operators*" and "*Given that graduation has never applied to EBA, it is only fair to treat GSP+ countries in the same fashion. This should also make the GSP+ more attractive to potential applicants*".

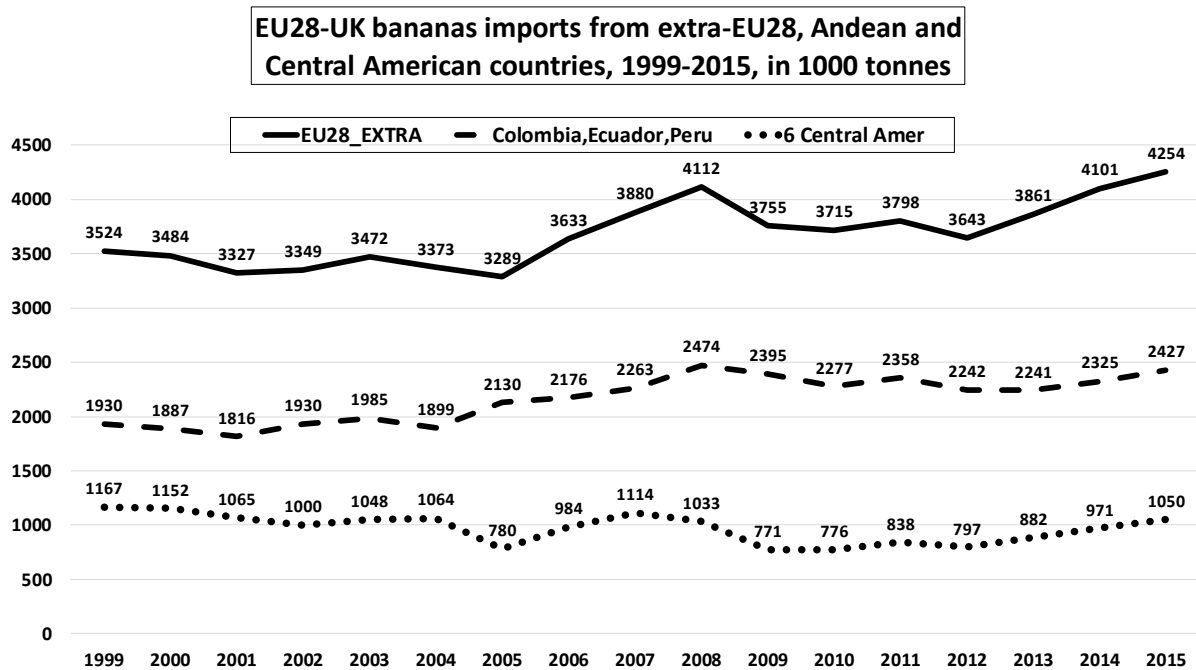
- Second, when Ghana exports had to pay €55.9 million in 2015 to the EU-UK under GSP + MFN (for fresh bananas), it would have had to pay only €5.030 million, eleven times less, with GSP+ because most EU sensible agricultural products for GSP (€43.152 million) are duty free for GSP+ (3.648 million). The most sensitive GSP+ are fresh bananas for €2.851 million (MFN duties), vegetables (mainly yams) for €0.701 million and milling products for €78,788. The only non-agricultural sensitive product for which Ghana would have to pay GSP+ duties is aluminium (HS chapter 76) for €1.382 million.

- Third, one should take into account the Brexit as the UK accounts for 55.8% of all EU28 bananas imports from Ghana and for 53.5% of processed tuna, 28.8% of pineapples and 9.2% of processed cocoa, so that total GSP duties to pay would be a third lower to the EU28-UK than to the EU28. And the GSP+ duties on bananas would be two third lower than for GSP (€2.851 million against €6.476 million). Concerning bananas in particular, the only agricultural product dutiable in the GSP+, Ghana exports to the EU28-UK accounted for only 22,671 tonnes in 2015 against 51,261 tonnes to the EU28 as exports to UK were of 28,590 tonnes. The first following graph shows that EU28-UK imports of bananas have increased from all sources from 1999 to 2015, particularly from 2010 to 2015, particularly from the 3 Andean countries and the 6 Central American countries before they signed bilateral FTAs with the EUs in 2012 (and in

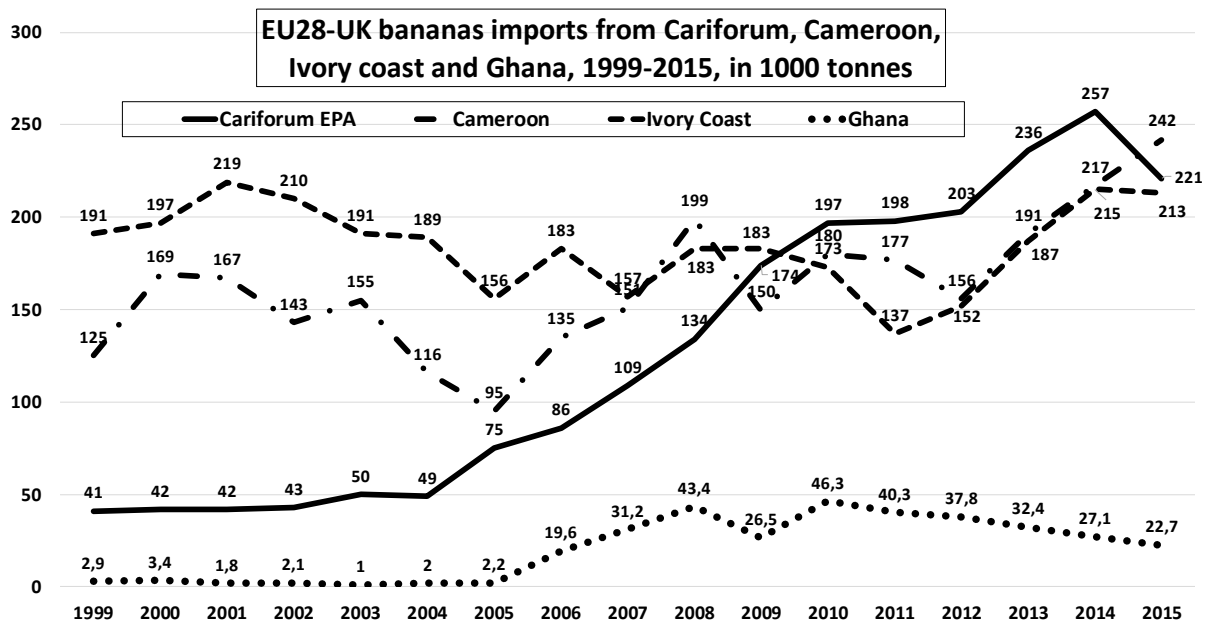
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<sup>1</sup> [http://trade.ec.europa.eu/doclib/docs/2014/november/tradoc\\_152865.pdf](http://trade.ec.europa.eu/doclib/docs/2014/november/tradoc_152865.pdf)

2015 for Ecuador), which was helped by their declining import duties, lower than the MFN ones.



However the second graph on EU28-UK imports from EPAs shows that, while imports from Cariforum, Cameroon and Ivory Coast have increased significantly from 2010 to 2015 they have been halved from Ghana because of the domination of UK in EU28 bananas imports from Ghana.



And the Minister's argument that Ghana production of bananas would be delocalized to Ivory Coast and Ghana is not powerful either because there is a much obvious threat that bananas of these two countries will themselves be delocalized to the Andean and Central American countries, the more so as their MFN duties are still declining, from €117 per tonne in 2015 to

€75 from January 2020 on when their import quota in the EU will also disappear (against the MFN duties of €127 € that would be applicable even under the GSP+). The Minister seemed also to ignore that a complement to GSP+ could be to implement the proposal of the WA civil society that exports under GSP+ of Ghana, Ivory Coast and Nigeria could be mutualized in a regional solidarity fund to which each WA country would contribute in proportion of its extra-WA total imports.

On the argument raised by Jude Kirton-Darling, Marie Arena and Helmut Scholz that the iEPA would foster regional disintegration, the Minister replies that the ECOWAS trade liberalization scheme (TLS) does not permit to export to other ECOWAS countries products imported duty free from any foreign country, of which the EU, so that the only duty free exports on the internal ECOWAS market are those of domestic raw agricultural products, handicraft products and processed products including at least 35% of national value addition<sup>2</sup>. This a crucial point which requires an in-depth assessment because Ghanaian domestic products will benefit from lower production costs due to their duty free imports of inputs and equipment from the EU. As Ghana's imports of liberalized products of groups A taxed at 5% (for commodities, capital goods and specific inputs) and B taxed at 10% (on inputs and intermediate goods) have represented 93% of all imports of liberalized goods and 70.2% of all imports (including excluded products) from EU28-UK in 2015, the bulk of imports are not finished products. The petroleum products alone (in fact the whole HS chapter 27) accounted for 26.2% of Ghana total imports from the UK EU28-in 2015, which were taxed at 9.90% on average in 2015 and this alone would reduce significantly the cost of production and especially the transport cost of all domestic products, including of agricultural raw products. Indeed the impact study of the WA EPA on Ghana made in January 2015 by the World Bank and Ghana' Minister of trade and industry stressed that "*The most important export market for employment is ECOWAS: exporters to ECOWAS employed 38.7 percent of the sample's workers. The second most important market was the European Union: exporters to the European Union employed 4.9 percent of the sample's workers*"<sup>3</sup>.

The Minister stressed that, owing to the duty free-quota free exports to the EU since the first Lomé conventions, Ghanaian exporters have been able to increase their competitiveness, including for the SMEs along the value chains, on its domestic market as well as on the regional market and other foreign markets including the EU. And that Ghana is really committed to free trade, an assertion shared by Sandra Gallina although it is difficult to consider that the preferential EU trade with Ghana can be considered free trade. Sandra Gallina added that Ghana has been able to increase its textile exports by €50 million. In fact Ghana exports of textile products to the EU28 (not to speak of the EU28-UK) are almost inexistent, with €152,129 in 2015 for the 3 HS chapters 61 to 63 against imports of €93.9 million from the EU28, and exports of €536,000 to the US.

To conclude, if Ghana and the EU Commission wanted sincerely to finalize the regional EPA, they should not allow Ghana and Ivory Coast to implement hastily their iEPAs while excluding to renegotiate the WA EPA, a necessary condition to allow Nigeria to sign. And if Nigeria together with the Gambia and Mauritania do not sign definitely, the two iEPAs will become more and more in conflict with ECOWAS laws, of which its CET (common external tariff).

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<sup>2</sup> In fact finished goods whose imported inputs receive a value addition of at least 30% (not 35%) of the ex-factory price without taxes are considered originated in WA, which is not enough to protect regional products.

<sup>3</sup> MacLeod, Jamie; Von Uexkull, Jan Erik; Shui, Lulu, *Assessing the economic impact of the ECOWAS CET and economic partnership agreement on Ghana*, 1<sup>st</sup> January 2015, <http://documents.worldbank.org/curated/en/845041467999971258/Assessing-the-economic-impact-of-the-ECOWAS-CET-and-economic-partnership-agreement-on-Ghana>

These two countries and the EU would be responsible for the desintegration of ECOWAS. To avoid the long process of renegotiating the WA EPA there remains the possibility to get a WTO waiver to maintain preferential trade with the Sub-saharan EPAs as the US did in 2015 in renewing AGOA for 10 years, with the formal consent of the EU Commission, Council and Parliament.